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...g. In Two Sections, Section 1.

A-B stirs on waterfront

Will introduce Zeltzer Seltzer

By SCOTT HUME

Anheuser-Busch, having upped its share of the slow-growth beer market to 38% in 1986, this year has set its sights on the $1.5 billion bottled-water market, the beverage industry's fastest-growing segment.

Spearheading its drive to become the dominant company in that market will be a line of flavored seltzer waters marketed under the Zeltzer Seltzer brand name, industry sources said.

That product line is expected to be introduced during the first quarter and accelerate an already frenzied dash by marketers to grab a piece of the bottled water market, where sales have been growing by 15% annually.

Oakland, Cal.-based Clorox Co. last week made its second acquisition in the field, buying Deer Park Spring Water Co., Lodi, N.J. *(see related story on Page 58).*

Sources said the A-B seltzer assignment was the main "carrot" it used last year to lure Hal Riney & Partners away from the $20 million account of G. Heileman Brewing Co. (AA, March 24, *et seq.*). If true, that would indicate plans for a major ad budget backing the Zeltzer launch.

A spokesman for St. Louis-based A-B had no comment on the report and said Bloom Agency, Dallas, is the brewer's agency for water products. But sources said Riney has been working on tv, radio and print advertising for Zeltzer Seltzer since joining the A-B roster of agencies.

Bloom does handle the two regional mineral-water companies A-B purchased last year: Santa Rosa, Cal.-based Sante and Saratoga Springs Co., Saratoga Springs, N.Y. The brewer said its third entry, Ballygowan Sparkling Irish Spring Water, which it recently agreed to import from Ireland, is unassigned.

"Flavored seltzer is not a bad place for

(Continued on Page 58)

Sanka going natural; decaf war perks up

By PATRICIA WINTERS

General Foods, facing competitive ads that have rekindled an old controversy about coffee decaffeinated with chemicals, is switching leader Sanka to a naturally decaffeinated process, supported by a $20 million-plus ad campaign addressing the issue.

GF's campaign, representing the highest spending levels ever for Sanka, responds indirectly to Nestle Foods' recent ads for Taster's Choice decaffeinated that bring up the issue of chemical decaffeination. Taster's Choice receives an estimated $8 million in ad spending annually.

But the decaf battle is only beginning with GF's ads. The Rye Brook, N.Y.-based marketer reportedly has complained about the Taster's Choice ads to the networks and the National Advertising Division, Council of Better Business Bureaus.

In a separate issue, GF reportedly also has filed a challenge to Procter & Gamble's new ads for Folgers Crystals that make a taste comparison with a leading decaffeinated coffee. Cunningham & Walsh, New York, handles Folgers. P&G stood by its ad, which doesn't name a competitor.

All this underscores the all-out market war emerging in the decaffeinated arena. The decaf segment, which was growing rapidly in the early 1980s, has leveled off and

(Continued on Page 56)

A Shepherd tending her beef

Cybill Shepherd confides a craving for hamburgers in this spot, part of the Beef Industry Council's $30 million campaign breaking today on network tv. The star of ABC-TV's "Moonlighting" and actor James Garner appear separately in spots, with Mr. Garner making shish kebabs (AA, Oct. 20). Ketchum Advertising/San Francisco handles the effort, including network radio and print.

Last Minute News

Grace & Rothschild wins J&B

FORT LEE, N.J.—Paddington Corp. has moved its estimated $11 million J&B scotch account to Grace & Rothschild from Backer & Spielvogel, both New York. J&B is the largest account yet for the $25 million G&R agency, which was formed last year.

Ayer counterattacks Army in court

WASHINGTON—N W Ayer, New York, will file papers in court today, making good on its threat to sue the U.S. Army to delay selection of a new agency for its $100 million recruiting account (AA, Dec. 1, *et seq.*). Ayer's suit follows the Army's refusal late last week to lift its suspension of Ayer from government work. The Army is expected to pick a new agency this week from among several contenders.

(Continued on Page 8)

What's on the doorstep at BK? It's Burger Bundles

By PATRICIA WINTERS

Burger King today opens an unusual 522-store test of a mini-burger product called Burger Bundles and at the same time begins phasing out its "This is a Burger King Town" ad theme.

The new campaign theme, "The best food for fast times," breaks in 13 markets in the Midwest, Southeast and West where BK is introducing Burger Bundles, 1-oz. burgers in $1.19 three-packs and $2.38 six-pack cartons with or without cheese and a pickle. A 12-pack is under consideration, sources say.

In a separate but similarly convenience-related action, Burger King confirmed that it has reduced the size of its flagship Whopper to 4 ozs. from 4.2 ozs. (AA, Oct. 13). The chain in 1985 spent $30 million on celebrity-studded advertising touting the burger patty increase from 3.6 ozs. (AA, May 13, '85, *et seq.*).

The Burger Bundle test is the most extensive ever by Burger King and could move to 1,300 restaurants by March. The new slogan eventually will completely replace "Burger King Town" whether or not the mini-burger is successful, according to BK director of public relations Joyce Myers.

In other markets, current BK commercials promoting toppings will continue.

"Obviously this gives Burger King some real product news at a time when there's little of that in the marketplace, and that could help them," said a BK competitor. "But I wonder whether

(Continued on Page 56)

Highlights

Anheuser-Busch adds fizz 1
Anheuser-Busch this year has set its sights on the $1.5 billion bottled-water market, the beverage industry's fastest-growing segment. Spearheading its drive will be a line of flavored seltzer waters marketed under the Zeltzer Seltzer name.

Sanka tries natural process 1
General Foods, facing competitive ads that have rekindled an old controversy about coffee decaffeinated with chemicals, is switching leader Sanka to a naturally decaffeinated process, supported by a $20 million-plus ad campaign addressing the issue.

Chevy finds a pulse 3
The striking, risk-taking "Heartbeat of America" campaign that General Motors Corp.'s Chevrolet division broke this fall couldn't have happened without Chevy first tackling its identity crisis.

BATF's battle of the budget 4
The Reagan administration's fiscal 1988 budget would take its biggest bite out of the agency that oversees alcoholic beverage advertising and labeling.

McCann's promotion plunge 6
McCann-Erickson last week joined the growing list of ad agencies adding sales promotion to their services. Benjamin Colarossi, formerly president-ceo at Cato-Johnson, was named managing director of McCann-Erickson Promotion Group.

Hardee's pushes patties 12
Hardee's Food Systems is introducing a "tougher, back-to-basics" pitch in the face of widespread price cutting by fast-food competitors. The No. 4 burger chain last week began airing new tv advertising telling consumers "We're out to win you over" with what it claims are thicker and juicier hamburgers.

Frito cookies lay an egg 14
Frito-Lay is expected to renew its emphasis on profits in 1987 by scrapping Grandma's cookies and some of the company's newest snacks in the wake of parent PepsiCo's reorganization.

AT&T calling cuts 55
AT&T may eliminate completely the longtime marketing edge of rivals MCI Communications and US Sprint Communications with an 11% cut in long-distance rates, being touted in an aggressive new print advertising campaign. The move marks AT&T's strongest marketing response yet to the price-discounting claims of its challengers since the breakup of Ma Bell three years ago. Ads promote the steady erosion of the rivals' cost advantages over AT&T, and the carrier's 30% rate cut since divestiture.

INTERNATIONAL

TBWA looks at Asia 46
TBWA Advertising, the agency founded by principals in four different countries, is exploring linkages with agencies in Hong Kong, Japan and Korea, countries in which TBWA has no equity or nonequity affiliations.

Curtis' overseas growth 46
Helene Curtis Industries, Chicago, expects overseas sales to increase to 25% of all revenues within the next five years, from 15% now. No countries were specified for expansion, but the U.K. and Germany are the only two countries in the top 10 h&ba markets where Curtis does not have a presence.

OTHER NEWS

The National Football League's Super Bowl XXI is attracting global interest, and in some countries tv stations are competing for rights to broadcast the game. The Jan. 25 matchup is expected to be aired in 60 countries, compared with 59 countries last year and 17 in 1980. Page 3.

Hearst Corp. hopes its centennial present to itself, the purchase of *Esquire*, will be the first in a string of additional acquisitions. Since December, 1978, when Hearst bought the Arbor House book publishing company, it has spent "more than $1 billion" on media acquisitions, including three tv stations, eight daily newspapers, *Redbook* and Diversion Publications. Page 22.

Toy marketers are finding it easier to reach children worldwide as satellite tv and children's programing come of age. U.S. toy marketers say a satellite-to-cable children's network that increased Italian children's programing and a Canadian court decision that knocked down restrictions offer added promotional opportunities and could encourage governments to ease restrictions. Page 46.

BBDO, faced with rising overhead and flat revenues, last week let go about 50 employes, or 5% of its staff. "It's the same thing the whole industry is facing," said Tom Clark, president-ceo of BBDO Inc., the $600 million flagship unit of BBDO Worldwide that includes the New York, Detroit and Minneapolis offices. Revenue increases in 1987 are not expected to better the 6% boost recorded in 1986, he said. Page 60.

SPECIAL REPORT

With the direct-marketing pool in the U.S. getting crowded, some agencies are taking on the world. Several of them foresee at least as much growth potential outside the U.S. as within it.

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Isuzu's liar zaps 'mom'; CBS winces

By CLEVELAND HORTON

Vaporizing even "liar" Joe Isuzu's mother on screen apparently is too much for CBS.

In storyboards for a new commercial from American Isuzu Motors, Joe appears on screen with his "mother" and declares to the heavens: "May lightning strike my mother" if he is lying. The spot ends with a lightning bolt.

CBS objected to the commercial, scheduled to air in February. CBS vp-programing practices George Dessart said the network objected to the "violent dispatch of a mother," and advised Isuzu to handle the lightning bolt "humorously."

Neither NBC nor ABC objected to the storyboard, according to Isuzu national marketing services manager Leon Rosen.

Isuzu since has submitted a revised storyboard to CBS and was awaiting word from the network. In the new version, mom reappears after the lightning bolt. Della Femina, Travisano & Partners, Los Angeles and New York, handles.

Executives at Whittier, Cal.-based Isuzu, who feared the

(Continued on Page 57)

Coke, Paramount may bid for LBS

By WAYNE WALLEY

LOS ANGELES—A year after Coca-Cola Television first offered to acquire LBS Communications from Grey Advertising, the deal is said to be alive again with Paramount Pictures Corp. and a partial public stock offering added to the mix.

LBS chairman-president Henry Siegel is said to be considering an offer in which he, Paramount and Coca-Cola Tv would each have 25% interests, with the remaining 25% as the public offering.

No reliable price was revealed, though Grey chairman Edward Meyer reportedly had wanted $80 million for the nation's largest barter-syndication company.

Syndication sources estimated New York-based LBS had some $200 million in 1986 sales, or a 25%-to-33% share of the barter-syndication business.

The usually accessible Mr. Siegel, who was here last week attending the Assn. of Independent Television Stations programing convention, remained unavailable for comment.

Frank Biondi, Coca-Cola Tv chairman-ceo, and Mel Harris, president of Paramount Television, the two other executives who reportedly worked out the deal with Mr. Siegel, also remained unavailable for comment.

Grey had no comment, though one source said that Mr. Meyer was not interested in selling LBS and that no offer had been officially presented to Grey.

However, in a March 21, 1986, proxy statement, Grey stated that "as a result of LBS' growth and the attention the investment commu-

(Continued on Page 56)

West Coast News

Scali lands $2M in Altos Computer business

SAN JOSE—Altos Computer Systems awarded its $2 million account to Scali, McCabe, Sloves, Los Angeles, following a review including nine West Coast agencies. Rice & Woolward, San Francisco, earlier resigned the account.

LOS ANGELES—**Columbia Pictures** is believed close to hiring McCann-Erickson to handle Hispanic advertising, previously at the agency's Spanish-language unit, La Agencia de McCann-Erickson. La Agencia earlier was spun off as an independent agency (AA, Sept. 8).

SACRAMENTO—**California State Lottery** selected Dailey & Associates and incumbent Rubin Postaer & Associates, both Los Angeles, and J. Walter Thompson USA, San Francisco, as finalists for its $25 million general account. A winner will be named in early February.

SAN FRANCISCO—**J. Walter Thompson USA** hired Steve Darland, former senior vp-management supervisor/director of human resources, Evans/-Kraft, to the new post of deputy manager-director of client services.

LOS ANGELES—**Burger King Corp.** starts a four-week radio and tv drive in Southern California today offering a 50% rebate to buyers of Chicken Tenders. If customers aren't satisfied with Tenders, they may use the rebate toward purchases of McDonald's McNuggets. Admarketing is handling the regional drive for the Miami-based company.#

Colarossi heads McCann sales promotion

By PAUL L. EDWARDS

NEW YORK—McCann-Erickson last week joined the growing list of ad agencies adding sales promotion to their list of services.

B. Colarossi

The agency has hired Benjamin Colarossi, who recently left the president-ceo post at Cato-Johnson, one of Young & Rubicam's two sales-promotion units. He becomes managing director of McCann-Erickson Promotion Group.

McCann has had a sales-promotion department for several years, under the direction of Simon Marlow, primarily to service R.J. Reynolds Tobacco. Mr. Marlow now becomes deputy managing director of the new independent group.

"Our existing people were good," said John Dooner, exec vp-general manager of the New York ad agency. "But they were at an adolescent level, and we didn't want to wait for them to grow up. We needed someone like Ben to infuse expertise now."

Mr. Dooner said McCann felt compelled to act now for two reasons. "The altruistic reason is that we should be able to provide these services to our clients.

"The second and selfish reason is that the advertising business has been in a real state of flux over the past year. Many people have been let go, partly because of the mega-mergers, but also because even though marketing expenditures by clients have been growing, they are shifting funds from advertising to sales promotion. Selfishly, we want to recapture some of that lost revenue."

Mr. Colarossi conceded recapturing those dollars will be a considerable challenge.

"Much of the promotional spending that's done today is handled in-house by marketers," he said. "Agencies have to gain the clients' respect, and that won't be done in two months. We must come up with new ideas. Sales promotion is an entrepreneurial business."

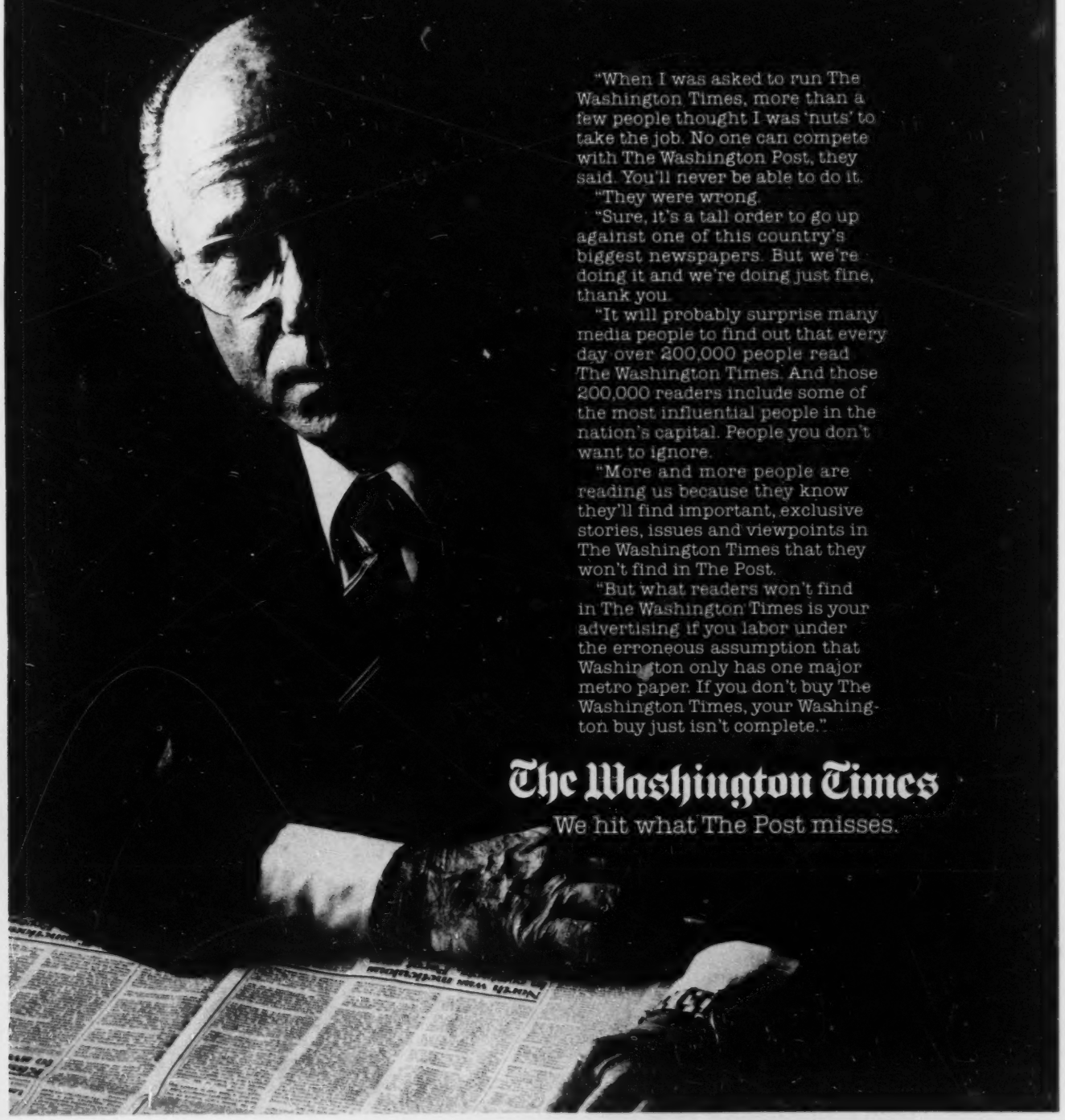
He cited freestanding inserts as an example. "Most marketers handle insert advertising themselves. Agencies don't get a commission on the media and have shown little interest in them. But there's a tremendous amount of clutter now, and I think that an agency can help the client make inserts far more effective and efficient."

Mr. Colarossi began his advertising career in the early 1950s, working on the Revlon account at the old Norman, Craig & Kummel agency. While there, he met Charles Revson, "who knew sales promotion intuitively," said Mr. Colarossi. When Revlon moved its lipstick account to Warwick Advertising, Mr. Colarossi moved with it.

In the mid-'60s, he moved to Ted Bates & Co. as art director working on the Anacin account. In 1970, together with Donald Creamer, Mr. Colarossi opened up Creamer/Colarossi. Nine years later, he left to form Colarossi/Griswold-Eshleman as a New York subsidiary of Cleveland-based Griswold-Eshleman, since acquired by Ross Roy Inc. He joined Cato-Johnson last year.#

"If you think Washington is still a one-newspaper town, you're living in the past."

— Arnaud de Borchgrave, Editor-in-Chief, The Washington Times



"When I was asked to run The Washington Times, more than a few people thought I was 'nuts' to take the job. No one can compete with The Washington Post, they said. You'll never be able to do it.

"They were wrong.

"Sure, it's a tall order to go up against one of this country's biggest newspapers. But we're doing it and we're doing just fine, thank you.

"It will probably surprise many media people to find out that every day over 200,000 people read The Washington Times. And those 200,000 readers include some of the most influential people in the nation's capital. People you don't want to ignore.

"More and more people are reading us because they know they'll find important, exclusive stories, issues and viewpoints in The Washington Times that they won't find in The Post.

"But what readers won't find in The Washington Times is your advertising if you labor under the erroneous assumption that Washington only has one major metro paper. If you don't buy The Washington Times, your Washington buy just isn't complete."

The Washington Times

We hit what The Post misses.

Agencies' response date set

CHICAGO—Deadline is Jan. 19 for the return of completed Agency Income Questionnaires distributed by ADVERTISING AGE.

The latest Agency Income Questionnaire, to be used for AA's 43rd annual report on agency billings and income, further tightens qualifying requirements. "Agencies qualify for AA's leading agency listing only if their gross income figures are confirmed—audited or unaudited—by outside accountants," said Fred Danzig, AA editor.

Agencies that do not already have the questionnaire packet can obtain one by contacting Craig Endicott, special issues editor, ADVERTISING AGE, 740 Rush St., 60611.

The 1986 instruction sheet and form are accompanied by a sample letter that can be used by accounting companies to confirm the agency gross income figures shown on the AA form.

All agencies on the "AD AGE 500" list, to be published March 26, will have submitted confirmed figures. Cutoff for the "500" published last year (AA, March 27) was $1.05 million in gross income, the equivalent to about $7.8 million in billings.

A total of 690 agencies' figures were accepted for publication last year, but only figures for the top 500 were included in the agency index composite.#

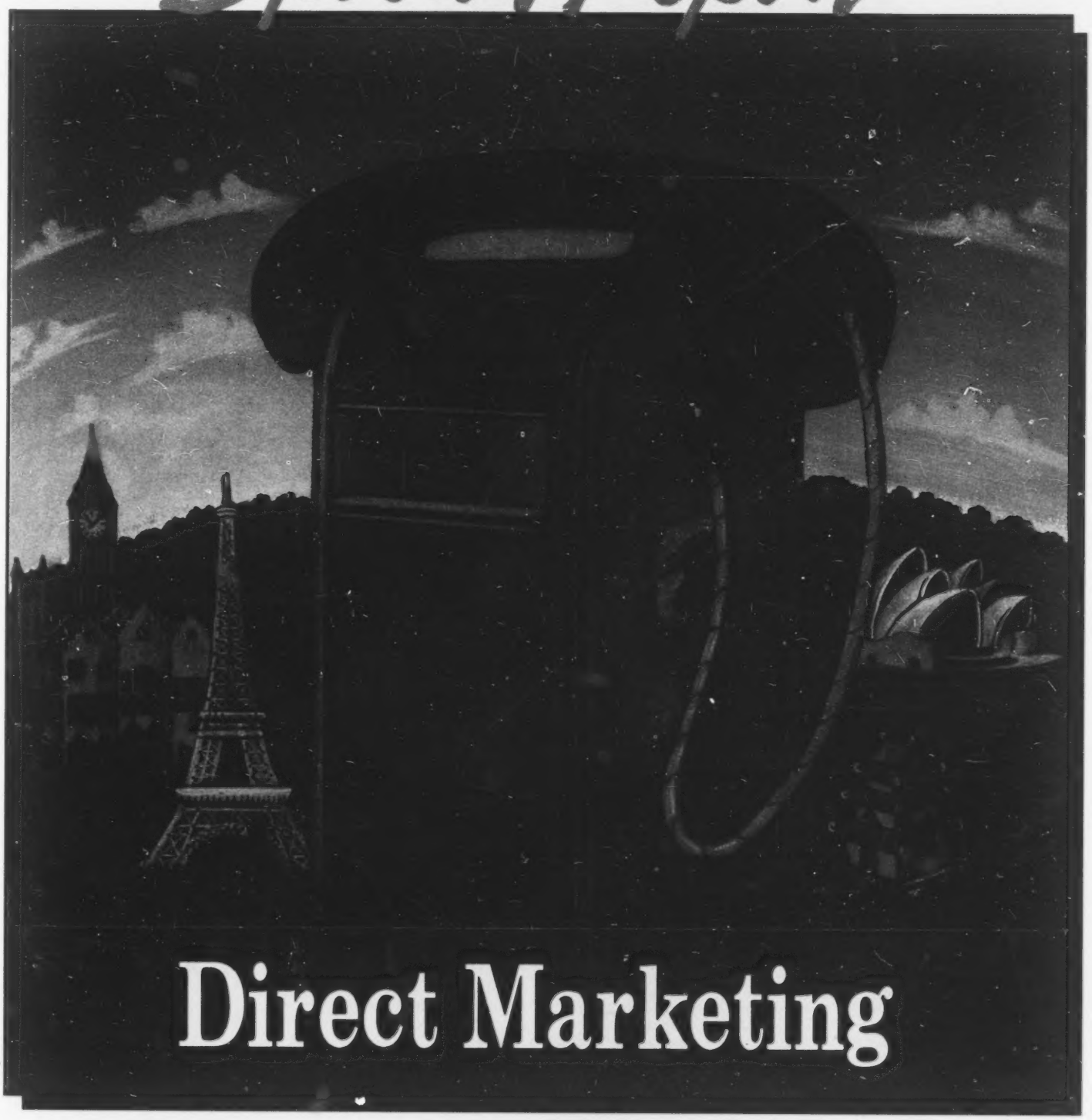
CORRECTIONS & CLARIFICATIONS

- A sequence of December Consumer Magazine Ad Linage chart figures was incorrectly attributed. Listed as those of *Country Journal*, they actually were provided by *Country Living* (AA, Dec. 22, P. 23).
- Advertising pages were reported incorrectly for *New Woman* in the December Consumer Magazine Linage Report (AA, Dec. 22, P. 24). The correct numbers are 76.4 pages for December, 1986, and 70.5 pages for December, 1985.
- To complete the December Consumer Magazine Linage Report (AA, Dec. 22, P. 23 and 24), the following totals should be included (all Conde Nast titles):

Glamour 1986 yearend total—2,173.2; 1985 total—2,143.0. *House & Garden* 1986 total—1,159.7; 1985 total—1,163.9. *Mademoiselle* 1986 total—1,639.0; 1985 total—1,503.9. *Self* 1986 total—1,167.3; 1985 total—1,182.5. *Vanity Fair* 1986 total—595.8; 1985 total—429.4. *Vogue* 1986 total—3,193.9; 1985 total—3,247.9.

- If egg producers approve a proposed $23 million marketing program in 1987, advertising and research would be handled not by the United Egg Producers, but by a separate group to be formed upon the program's approval (AA, Dec. 1, P. 12).#

Special Report



Christy Ellis

Direct Marketing

U.S. agencies stake claims around the globe

By Lori Kesler

Direct marketing has proceeded swimmingly in this country for nearly a decade. But with the pool here getting a little crowded, some major direct marketing agencies are testing newer waters and taking on the world.

Only a handful of domestic agencies have ventured into the international market, and at this point their non-U.S. billings don't make a huge dent in the industry's total financial picture. However, several direct marketing agencies foresee at least as much growth potential outside the U.S. as within it.

Lori Kesler, ADVERTISING AGE's St. Louis correspondent, who profiled Omaha Steaks International in the October, 1985, Direct Marketing Special Report.

For example, Wunderman Worldwide, New York, a direct marketing subsidiary of Young & Rubicam, doubled its non-U.S. billings from $50 million in 1985 to $100 million in 1986, while domestic billings during that time rose 14.3%, from $175 to $200 million. (Wunderman, Ricotta & Kline recently changed its name to Wunderman Worldwide.)

"In our agency, the non-U.S. part of our business is growing faster than the domestic side," says Steven Dapper, Wunderman Worldwide president and chief executive officer. He concedes that much of the international billings boost came from the opening of new offices in Europe and Japan, whereas domestic increases reflected client growth. But, he says, the company will continue to step up activities abroad because "the world is catching on to direct marketing."

Wunderman, the first major American direct marketing agency to go international, set up shop in Germany, the United Kingdom and France in the 1960s and now has 23 offices in Australia, Brazil, Canada, Europe, Japan and South Africa.

(Continued on Page S-2)

U.S./European mail order spending

Country	Avg. annual mail order dollars per capita*
United States	$642
West Germany	124
Switzerland	82
United Kingdom	67
France	53
Finland	50
Denmark	40
Netherlands	33
Norway	22
Belgium	20
Italy	9
Spain	4

*Based on 1984 and 1985 data
Sources: European Marketing Data & Statistics 1986-87, 1984 International Fact Book on DM, DMA.

U.S. agencies stake claims

(Continued from Page S-1)

Officials of Chicago-based Kobs & Brady Advertising, a subsidiary of Ted Bates Worldwide, have been scouting the European market in hopes of starting their first offices there this year.

Daniel Ginsburg, Kobs & Brady's senior vp, says direct marketing in the U.S. is expanding at a slower rate than in the past, so it's harder for agencies to attract new business. "We used to have people walking in the door and asking for our help," Mr. Ginsburg says. "We practically had to beat them away. Now, everything's much more competitive."

But Mr. Ginsburg says much of Europe "is just starting to take off. It reminds me of the U.S. in the late 1970s," he says. "In another five years, direct marketing will be booming around the world and everybody will rush into it with the same crowd mentality we saw here a few years ago."

Right now, he says, "there's still a need for good agency talent and some real opportunities for client companies, too."

The world's largest direct marketing agency, New York-based Ogilvy & Mather Direct, grew at about the same rate inside and outside the U.S. last year. Jerome Pickholz, O&M Direct's chairman and ceo, says this is because the same technological forces driving direct marketing in the U.S.—such as computer databases, credit card systems and toll-free phone numbers—are propelling it worldwide. And he says certain lifestyle changes—such as more working women with less shopping time—also are spreading across the globe.

O&M Direct, with 38 non-U.S. offices from Argentina to Singapore, reports $210 million in domestic billings and $220 million in non-U.S. billings for 1986, up from $175 million and $185 million, respectively, in 1985. It handles American Express, seen by competitors as the industry's most important international account.

The company opened offices in the U.K. and Germany during the mid-'70s, and rolled worldwide between 1980 and 1985, acquiring agencies in Spain and Australia and starting the rest of its branches "from scratch," Mr. Pickholz says.

Stan Rapp, chairman of Rapp & Collins Worldwide, New York, which is part of Omnicom Group's Diversified Agency Services, reports his agency's European branches grew by 30% during 1986 to a total of $85 million. Japan and Australia added another $15 million, bringing the agency's non-U.S. total to $100 million, while U.S. revenues, in contrast, added up to $75 million.

Rapp & Collins started putting its international network together five years ago with the purchase of McKorkle Sideaway & Wright in London. Since then, it has acquired three more direct marketing agencies and started five.

Fully half of the BBDO Worldwide direct marketing network's $200 million in billings last year came from outside the U.S., says Ian MacKelden, president of the New York office of the newly formed Marcoa DR Group. "That's clearly the fastest-growing part of our business," he says.

The network is part of Omnicom Group's Diversified Agency Services. It includes the Marcoa DR Group—which combined BBDO Direct, DR Group and Marcoa Direct—along with other BBDO direct marketing agencies. The network now has offices in Australia, Europe, Japan and South America, and it plans to open in the Middle East this year.

Grey Advertising's Grey Direct International, New York, ventured into Sweden in 1982 after Grey clients there began asking for direct marketing services. Now with 15 offices in Canada, Europe, South Africa and Australia, Grey Direct reports non-U.S. billings of $37.5 million for 1986, more than double the $16 million billings of the previous year. Domestic billings rose from $81 million in 1985 to $107 million in 1986.

George Wiedemann, chairman, Grey Direct International, says his agency will continue its expansion into markets where the parent Grey agency already has a presence, "but we'll go prudently," he says. "We prefer to wait until we can see some clear opportunities from an established client base before we go in. We don't try to create a market. We're driven more by client need."

Agency leaders say direct marketing's future development is likely to follow strikingly similar patterns around the globe. Most agree that the industry's long-term growth worldwide will come from such "new wave" direct marketers as package goods companies, travel and financial services, auto makers and business equipment manufacturers.

And they'll use the medium not to sell direct, but to generate leads, build traffic or pinpoint target customers for retail sales.

"Mail order is direct marketing's past," says Mr. Rapp. "Customer database marketing is its future, both in the U.S. and abroad."

Meanwhile, direct marketing in Europe may be moving along faster than most people realize, says Wunderman's Mr. Dapper. "Three years ago, the industry there was 15 years behind this country," he says. "Two years ago, they'd narrowed the gap to five years. Next year, it'll be three months."

In fact, the experts say they've watched some extremely sophisticated direct marketing campaigns unfold in Europe. A supermarket chain in the Netherlands, for example, sends catalogs by mail, takes food orders by phone and delivers the groceries to customers' doors within 24 hours, says Mr. MacKelden. And Mr. Rapp says European auto makers—AB Volvo, Volkswagen AG and Bavarian Motor Works, AG (BMW)—are doing more innovative database marketing than most of their U.S. counterparts.

While Europe does have a lower penetration of direct marketing, says Mr. Rapp, "in the state of the art, they're not behind the U.S. at all."

And in creativity and graphics, "they may be a little ahead," says Mr. Dapper. "They're not afraid to take a chance, to work with a little more panache."

In fact, the experts say one good reason for developing an international network is to facilitate the exchange of ideas. "We do not hold all the secrets of the business here in the U.S.," Mr. Dapper says. "When we go international, we're not just exporting our expertise. It's a two-way street of exporting and importing ideas."

Having an international network in place also gives agencies a shot at bagging some global or multinational clients. But agency leaders admit that most direct marketing accounts are neither global nor multinational.

They are, in fact, national accounts—coming either from native or U.S. companies—because direct marketing programs tend to be designed specifically for one country or region.

"In the direct response business, we've seen very little development that's truly global," says Mr. MacKelden. "But that's a challenge for the whole industry." He says multinational clients represent the greatest potential for major direct marketing agencies, and he'd like to see more clients start moving toward global direct marketing.

He says in direct marketing, as in general advertising, agencies can handle the linguistic and cultural variances of each country without losing sight of global strategies. "It can be done," he says, "in the same way general advertising must be adapted when it's taken from New York to Malaysia."

Not that it's easy. Postal regulations vary from country to country. So do legal restrictions, media patterns, buying habits and lifestyles. "In parts of the Middle East," says Mr. MacKelden, "the streets have no names and the houses have no numbers. Women are not allowed to receive mail unless it's approved by their husbands first."

But this just goes to show in the direct marketing industry "we see all kinds of problems and we overcome them," he says. "We are even working out ways to use direct mail in the Middle East."

Wunderman's Mr. Dapper says global direct marketing can work for a product whose basic positioning and strategy remain the same worldwide. He says many direct marketing programs are offer-oriented "and you can frequently take the same offer and play it across the world. The creative execution might look different from place to place, but the concept would be the same."

Other agency leaders aren't so sure global direct marketing is a workable idea for most clients. "We believed in the myth of the world account when we started expanding internationally," says Mr. Rapp. But he says he has since discovered that "the concept of global marketing—which comes from general advertising—almost never applies to direct marketing."

Grey Direct's Mr. Wiedemann also finds very little evidence of a trend toward globalization. He says a handful of American companies are moving in that direction, but others are doing just as well by "cherry picking" the best agencies in each locale.

"I expect 80% of our growth to come from local business within each country and 20%—maybe less—from multinational advertisers. The truth is, it's going to take agencies and marketers a very long time to get this global idea to gel," says Mr. Wiedemann.

Even O&M Direct, whose extensive global network is the envy of the industry, has very few worldwide clients. It

(Continued on Page S-4)

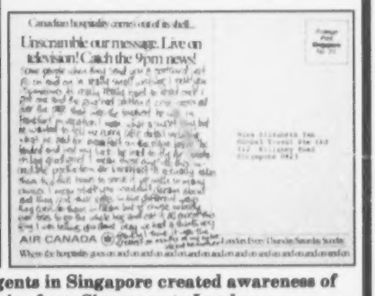
Agency execs eye new lands

The United States and Europe may have put direct marketing on the map, but the major U.S. agencies aren't stopping at the borders of familiar territory. They're marching into more exotic markets every year.

When agency leaders were asked about the hottest spots for the future, they pointed in several directions, from Sao Paulo to Peking.

Some see Australia as a dynamic market right now, especially for direct response tv. In Europe, they're eyeing Spain and Scandinavia, where direct marketing still is in its early stages.

Others are setting up shop in Latin America. Steven Dapper, New York-based Wunderman Worldwide president and chief executive officer, says if the economy there improves, direct marketing growth in the next decade will mirror Europe's in this decade.



Air Canada's direct mailing to travel agents in Singapore created awareness of the airline's thrice-weekly service from Singapore to London.

But Rapp & Collins Worldwide, which opened an office in Mexico City in 1984, pulled out last year because of the country's rampant inflation. "If the bedrock of direct marketing is mail order," says agency chairman Stan Rapp, "countries with inflation rates of 100% become very difficult."

Mr. Rapp likes Japan's potential. His agency entered that market three years ago, and he has high hopes, even though he admits "just about everything about Japan is wrong for direct marketing."

He says Japan's postal rates "are the highest in the world, addresses are hard to find, credit card penetration is relatively low, and very few women are employed outside the home.

"Even the size of the residences works against you. Because the Japanese live in such cramped quarters they can't acquire many products," he says.

Mr. Rapp projects slow development for direct marketing in Japan, but maintains that the country offers good potential in the business-to-business, financial services and credit card sectors because the Japanese so readily adopt workable ideas from the West.

"Like everyone else, we're also looking at the Pacific rim—Hong Kong, Korea, Singapore and Taiwan," says Mr. Rapp. "As their economies strengthen, everyone will begin thinking about them."

And perhaps sometime in the future, he adds, direct marketing will take the high road to China. Mass marketing there has been so limited that one-on-one marketing makes a lot of sense, he says. "We may see direct marketing leapfrogging the kind of ad-supported mass marketing we've had here."

Jerome Pickholz, chairman and chief executive officer, New York-based Ogilvy & Mather Direct, says his agency is definitely looking at China. In fact, O&M already has a general ad agency office in Peking.

"South America is emerging, and we see opportunities in the Pacific basin, but nothing equals the enormous potential of China's 300 million to 400 million households," Mr. Pickholz says. He adds that the Chinese people are in "an acquiring mode right now. There's so much they need to buy; they're prime prospects for just about any product you could imagine."

And then, he pauses to contemplate the enormity of it all. "Wouldn't we love," he says, "to come up with a list of one billion names?"

—Lori Kesler

Chase mailer chases new business accounts

By Claire Wilson

Popular in retail banking for years, direct marketing is just beginning to make an appearance in the wholesale divisions of major banks around the world.

The Chase Manhattan Bank, N.A. in Europe, one of the first large financial institutions to use the discipline, is aiming its very first wholesale direct marketing campaign at some pretty demanding customers: International bankers needing highly specialized currency exchange services.

The sophisticated three-part campaign earned its agency, Paris-based Messages, a 1986 Gold Echo award in the business-to-business category from the U.S. Direct Marketing Assn., as well as a 1986 Silver award from the British Direct Marketing Assn. But another prize Chase Europe is bringing home may be even better—a 14% response rate, thus far, that promises to continue its upward climb.

"I'd mentally prepared myself for a much lower response rate," notes a pleasantly surprised Peter James, London-based European-area payments product manager, Chase.

"Figures that are the industry standard made me expect around 5%," he says.

The campaign, created to generate business for the bank's foreign currency clearing operations, had to be top-notch to appeal to the bank presidents it targeted, many of whom already had established relationships with other banks. While the bankers did share some commonalities, they were from institutions as dissimilar as large banks in the American Midwest to small, private banks in Singapore. Each had different banking needs.

"It's a difficult service to sell. The larger the bank, the more likely it is to already have a long-established history with another institution, either political or financial," notes Mr. James.

"The institution may be younger, and more willing to switch. We had to appeal to all kinds of prospects."

The campaign was originally created exclusively for Chase in France, but when the bank's European directors saw it, they knew it easily could cross international borders. Using tastefully executed, $50-per-unit mailings, the campaign promoted the idea that Chase was serious and efficient, and that it wasn't an impersonal, too-American megabank important only to large customers.

"It was crucial to successfully blend the ideas of quality and technical excellence in the overall presentation," says Mr. James.

Chase developed a highly specialized list of 3,500 names. Its targets were bankers in markets all around the world, except Africa and South America, who use foreign currency clearing services in five European currencies: French francs, ECUs (European currency units), German marks, British pounds and Swiss francs.

The first contact with each prospect was a personal telex informing him that he would receive a special packet within the next few days. Telexes were sent early in the week; the information packet arrived at the end of the week.

The packet, which contained a number of elements, came in a 9-by-12 in. white box tied with string, the ends of which were affixed to the box with sealing wax. Besides a letter from an area manager, an accompanying 16-page brochure explained Chase's state-of-the-art, electronic, international clearing service and what it could mean to the prospect's business.

The entire program was written in English, the international language of banking.

The four-color taupe brochure was peppered with blocks of primary colors, evoking the style of artist Piet Mondrian. The copy crisply conveyed Chase's efficiency in handling international clearing transactions, but did so around a series of four whimsical paintings by French artist Anies d'Andon, who had been commissioned for the project.

Chase Manhattan is a well-known corporate art collector, and the bank executives thought

Claire Wilson is an Advertising Age correspondent based in Paris. She profiled the French direct marketing industry in the October, 1985, Direct Marketing Special Report.

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Agencies

(Continued from Page S-2)

handles American Express, Shell Oil and Unilever throughout most of the world, but chairman Mr. Pickholz says a typical O&M office gets about 75% of its business from within its own country.

"There aren't many global clients in this industry," says Mr. Pickholz, "because most of them see direct marketing as a matter of local tactics, not global strate-

the art would complement the institution's image.

"Using art as a theme conveys a more personalized feeling," says Yvon LeMen, Messages' director.

"Plus [the banking world], is in some ways traditional, and the message had to be of a particular quality, which art stands for in those circles."

The brochure also held separate inserts in its back cover explaining Chase's operations in the respective European capitals.

The item that created the most stir, however, was a specially designed floppy disk that illustrated Chase's services.

The packet's final element, a hand addressed, sealed envelope marked "confidential," contained an offer for a free, limited-edition lithograph by French artist Pierre Fix-Masseau, whose work is part of New York's Museum of Modern Art's permanent collection.

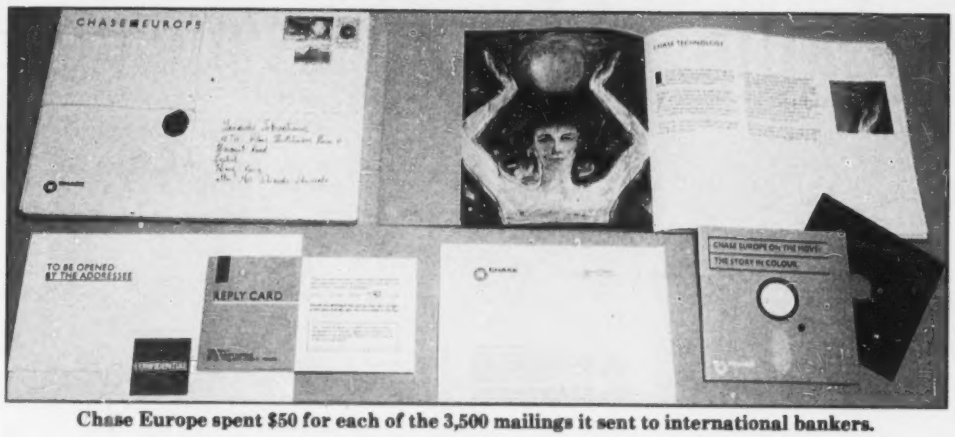
Prospects could order the specially-commissioned lithograph by inserting their business card into a reply envelope, or by sending their order via telex or Swift, the electronic interbank communications system. Prospects were advised to order quickly.

Each lithograph was personally inscribed by Mr. Fix-Masseau and hand-delivered by a local Chase representative as the campaign's final phase. The representative then personally explained Chase's services to the prospect.

Reaction to the campaign went far beyond the high response rate.

"We even received letters from prospects saying they'd never seen anything so beautiful before," says Mr. LeMen, whose agency also won a U.S. Direct Marketing Assn. award the previous year for its Orient Express campaign.

The $50 cost per mailing was high by industry standards but, according to Mr. James, reasonable when the potential results were calculated. The bank did consider a conventional advertising program via international publications, but deemed the direct marketing approach far more cost effective, he says.



Chase Europe spent $50 for each of the 3,500 mailings it sent to international bankers.

It was crucial to produce a product that would convey an image, and not look like junk mail to the prospects, Mr. James adds. Such sophisticated mailings, he says, naturally cost a bit more. Mr. James explains that Chase Europe decided to experiment with the direct marketing campaign because of changes in the European financial marketplace, including deregulation in West Germany, privatization moves in France and London's "Big Bang," which opened up the London Stock Exchange to increased trading volume.

Mr. Jones adds that there probably will be other such initiatives in the future, both from Chase and its competitors.

While Mr. James says Chase Europe has no concrete plans for other campaigns at the moment, if this first effort is judged profitable for the bank, "there will more than likely be others."

gies."

Even global clients want their direct response packages tailored to each local market, he says.

"We make a point of exchanging information around the world. Everyone in the agency knows what has worked in other countries.

"But rarely does a client say, 'I want one campaign mailed in 30 countries at the same time,'" Mr. Pickholz says. "Decisions are, by and large, localized."

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Direct marketing makes international waves

Direct marketing overseas has been described as "booming after six years in the desert," a "Cinderella" about to blossom and "the key to marketing success." Despite the variety of prose, all assessments point in one direction: Upward.

The discipline has made significant strides over the past few years, and is poised for greater expansion, experts say. In many countries, databases are becoming more refined, and marketers are using them with greater sophistication. Agencies from South America to South Africa are increasingly realizing direct marketing's importance and effectiveness, and clients are fueling the industry's growth in their search for more cost effective marketing strategies.

The following profiles on the state of direct marketing in 10 countries will serve as a guide to what marketers and agencies can expect to run up against when venturing into international waters. Readers will learn about restrictions—both regulatory and mechanical—against direct marketing, its penetration level, consumer acceptance, list development, database sophistication and more.

The prevailing message from reports filed by Advertising Age*'s international correspondents, however, is one of justifiable optimism.*

Sweden

If a direct marketer's paradise exists, it might be found in Sweden.

"We are the envy of others in the world," says Staffan Elinder, director, Blomquist Direct Marketing, Stockholm, one of Sweden's leading agencies in the field.

With a population of 8.3 million, Sweden boasts an efficient postal and telephone service and only minor restrictions on direct marketing. But, just as important, direct marketers have access to perhaps the most extensive computerized personal data system in the world.

The government has compiled a vast amount of computer data about its citizenry, coded by individual 10-digit numbers assigned to every Swede. The number is required on most official and commercial documents.

Sweden's relatively lax privacy laws enable the government, through its Computer Center for Administrative Data Transactions, to offer basic information about the population to corporate clients for a fee.

The service, called Coordinated Person and Address Register (SPAR), provides a person's name, address, ID number, marital status, birthplace, citizenship, income and number of children.

"It makes it extremely easy to pinpoint target groups," says Mr. Elinder. "For example, using SPAR I can get a list of all females over 35 with two children who make more than $20,000 a year."

Two other official registers—of home and car owners—are also available. These are supplemented by still other data banks. The Swedish Post Office has encouraged the growth of direct marketing to boost its revenues, and operates a 30-year-old service that provides information on businesses and occupational groups. Several private companies, primarily Stockholm-based Esselte, a diversified corporation with a strong base in information services, also provide detailed mailing lists.

"The easy availability of accurate mailing lists and the country's small population have made direct marketing effective and cost efficient for those seeking specific marketing segments," says Peter Linden, Stockholm-based account exec for Ervaco, a pan-Scandinavian advertising agency.

Direct marketing, in fact, is Sweden's fastest growing marketing tool, with an average annual growth rate in expenditures of 20%. Its role is major, accounting for an estimated $450 million of the $2.1 billion spent on advertising and promotion, including production costs, in Sweden in 1985, according to a study by the Information and Mass Media Group at Gothenburg University.

Its development has been aided by some uniquely Swedish factors. Because advertising on tv or radio is not yet permitted, direct marketing—using mail order, direct mail, and telemarketing—has become the only viable alternative to traditional print advertising.

Sweden has the highest employment ratio in the Western industrialized world. Two-income households are common, resulting in reduced shopping

(Continued on Page S-12)

Contributing to this report are Advertising Age *correspondents Jack Burton in Stockholm, Des Kilalea in Johannesburg, David Kilburn in Tokyo, Geoffrey Lee Martin in Sydney, Michelle McCarter in Rome, Julia Michaels in Sao Paulo, Sean Milmo in London, Paul Montgomery in Brussels, John Parry in Geneva and Claire Wilson in Paris.*

BEWARE OF TURKEYS!

The strategic plan for your direct marketing venture may look like a swan—but expert analysis may reveal it to be a turkey in disguise. The time to check the genus is now, before it gobbles up huge chunks of time, energy and money.

It's natural for you and your management to be enthusiastic about your strategic plan for starting, acquiring, or building a direct marketing venture, or expanding into a new area.

But how reliable are your key assumptions? Does direct marketing have a meaningful, compatible role in your organization? Is there a potential conflict with your present distribution system? Are your financial assumptions reasonable? Have you planned adequate systems and databases? In short, are you about to give birth to a swan—or a turkey?

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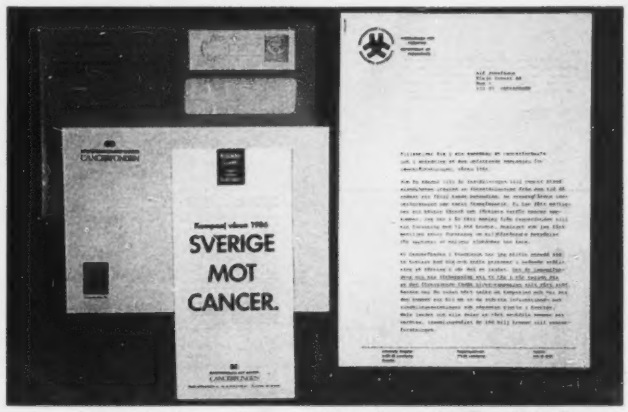

A business-to-business direct mailing from the Swedish Cancer Society generated a 13.6% response rate.

(Continued from Page S-10)

time. The heavy emphasis on office computerization also has made data-based direct marketing an increasingly accessible and affordable marketing tool.

The roots of direct marketing can be traced to the catalog houses that sprung up after World War II, most of them located in Borås, the country's mail order capital in central Sweden.

Mail order accounted for an estimated 6.4%, or $757 million, of Sweden's total retail sales, excluding food, in 1985, according to the Retail Research Institute, Stockholm. The industry is dominated by several Borås-based companies: Ellos, Josefssons, Halens (owned by Britain's Great United Stores) and H&M Rowells (owned by Sweden's largest retail clothing chain, Hennes & Mauritz).

Mail orders have doubled in the last decade, and some of Sweden's major retail chains have entered the business, including ICA and KF as well as more specialized companies such as AB Volvo, which offers auto parts through the mail.

Direct mail, however, has been the fastest growth sector of direct marketing during the 1980s, with the principal users being book clubs, insurance and finance companies and business-to-business marketers. American Express, for example, has quintupled its number of card holders in Sweden to 200,000 through an addressed direct mail campaign.

Telemarketing, which plays a minor role, is the latest phase of direct marketing in Sweden, having appeared in only the last several years.

The growing direct marketing industry has attracted both home-grown, specialized agencies, such as Helsingborg-based Blechert Direct Marketing and Blomquist as well as international agencies with direct marketing experience, including Stockholm-based Ted Bates AB, Grey Svenska, Ogilvy & Mather Direct and Young & Rubicam's Wunderman Worldwide, its direct marketing subsidiary.

One key obstacle to expanding agency activity in Sweden is the shortage of trained personnel. "The number of people with direct marketing experience is very small," notes Mr. Elinder. "That is proving to be a serious handicap." There are few university-level marketing courses; to fill the gap, mail order houses now offer private training.

Continued growth for direct marketing in Sweden appears certain, however. Some predict it will have the highest percentage of direct marketing spending in Europe, surpassing Denmark within the next decade.

But one key question surrounding its future is what effect the introduction of tv advertising will have on the industry. Commercial tv is expected by the end of the decade. Marianne Johansson, information director, Swedish Direct Marketing Assn., Stockholm, is optimistic about the development. "We believe that tv advertising doesn't represent a threat, but could be used as a complementary medium with direct marketing, with the use of toll-free numbers, for example," she says.

Others are less sure. "With commercial tv, direct marketing growth will presumably decrease," says Lars Nabseth, chairman, Swedish Industrial Assn., Stockholm. "It's natural that some advertising now handled by direct marketing would move over to television."

—Jack Burton

Leading U.K. companies are learning that direct marketing involves more than just sending out mailings and making cold telephone calls.

"They are starting to realize that it is a marketing process rather than a medium," says Peter Rosenwald, chairman of the recently formed Saatchi & Saatchi Direct, London, Saatchi's first direct marketing arm outside the U.S.

"They are becoming aware that direct marketing is personal, and allows them to establish continuous contact with an individual in order to build up brand loyalty," he says.

The biggest attitudinal change toward direct marketing has come from consumer product companies who view it as a means of getting more value from their promotional budgets.

"Manufacturers are finding mass market advertising increasingly difficult as consumers become more choosy and markets begin to fragment," says

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There are a lot of companies and agencies you won't find on this list. Companies like Lever Brothers, Christian Dior, Revlon, Chrysler, McDonald's, Sears & Roebuck and hundreds more. And agencies like Grey Direct, Young & Rubicam, McCann Erickson and hundreds more.
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Brian Thomas, managing director, Ogilvy & Mather Direct, London.

"Consumers do not just want a Coke, but five different flavors of it. So companies are getting much more interested in finding out who their customers are and in talking to them directly about their needs," he adds.

Direct mail in the U.K.—which includes mail order, according to the British Direct Marketing Assn.'s statistics—accounts for the vast majority of direct marketing expenditures. It is the country's third largest medium in terms of expenditures, behind print and tv, and is currently the fastest growing.

The BDMA estimates that 1985 direct mail expenditures increased by 37.3% to $639 million in 1985, making up 9.1% of total marketing/promotional expenditures. Much of the rise in spending, however, was caused by a big increase in costs. Average postal unit costs went up 16% and production unit costs soared 44%, largely because of a trend toward heavier, more visually attractive packages, according to the British Post.

Guardian Royal Exchange's mailing had an 8.6% response.

In the U.K., mail order has by far the largest share of the country's direct mail pie in volume terms—26.7% in 1985, an increase of just under one percentage point from 1984. According to the U.K.'s Business Statistics Office, mail order sales for 1984 (the most recent figures available) accounted for 3.3%—or $3.9 billion at the current rate of exchange—of total U.K. retail sales.

The most active companies in direct mail tend to rely less on outside mailing lists and more on those they generate in-house.

"There's been a big switch toward database marketing," says Elene Coles, BDMA's assistant director. "Information collected about customers is becoming much more marketing oriented, so that companies can be more precise in targeting their direct marketing campaigns."

Financial institutions—banks, insurance companies and mortgage companies—have been extensively using information from their customer databases for direct mail campaigns. In 1985, financial institutions were second in direct mail usage (in number of items sent) of all those using the medium.

London-based Trustee Savings Bank is one of the biggest direct mail spenders among financial institutions. The bank sends finely targeted information about TSB services to customers in their monthly bank statements.

"It has been absorbing a growing proportion of our promotional budget," says TSB advertising director Roger Lynn.

Mail order companies and retail stores also are creating large customer databases to more precisely target direct marketing efforts. In the past two years, retail chains have been capitalizing on their credit card accounts to boost sales through direct mail.

The British department store chain Debenhams, for example, sells a wide range of products and services through monthly statements sent to its 900,000 credit card holders.

"We should soon be in a position to segment our market and offer certain types of products to specific customers based on their purchasing history," explains Stephen Wright, sales

(Continued on Page S-14)

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(Continued from Page S-13)
development controller, The Burton Group, London, owners of Debenhams.

"If, for example, someone bought a piece of luggage, we might send them a mail shot about swim wear. [More finely targeted marketing information] will also open up possibilities for selling third-party goods to our customers, and for creating mail order catalogs for particular types of purchasers," adds Mr. Wright.

Telemarketing has grown rapidly in the U.K. over the last two years, but expenditures remain relatively low compared with those for direct mail. Much of the increase has been in the business-to-business sector. However, British Telecom, the U.K. telecommunications company, recently set up an inbound telemarketing service, Telecom Tan, with the capacity to handle 8 million calls yearly, mainly from callers responding to direct response advertisements.

O&M Direct estimates that in 1985, spending on outbound calls (excluding those from in-house operations) amounted to $44.7 million, a 55% increase from 1984. Spending on incoming calls is estimated at $8 million, a 60% increase over 1984.

Outbound telemarketing, however, has yet to win friends among U.K. consumers who consider it an invasion of privacy. To reduce hostility, the BDMA has a code of practice that outlaws selling disguised as research and computerized dialing. Members who flagrantly abuse the code are asked to resign from the association.

"Outbound calls have to be handled much more carefully here than in the U.S. People are much more sensitive about them," says Mr. Rosenwald. "The major growth area could be in inbound calls."

Despite some doubts about its effectiveness in selling consumer products and services, telemarketing is nonetheless thought likely to be the direct marketing medium which will expand most rapidly in the next few years.

—Sean Milmo

"Back to the Future" is probably the best way to describe direct marketing in Brazil, Latin America's largest consumer market. Direct marketing specialists agree that the country is probably decades behind the times in this area. But advertising executives here can draw on the experience of more developed markets like the U.S.

Hindsight has become foresight for three pioneering agencies, all of them subsidiaries of U.S. agencies: Standard, Ogilvy & Mather with its Ogilvy & Mather Direct; Fischer, Justus, Young & Rubicam with its Wunderman Marketing Direto, and Lage Stabel/BBDO's direct marketing branch BBDO/Sistema, all located in Sao Paulo. None of the large local agencies —six of which rank among the top ten agencies here—have entered the ball game.

Brazil is virgin territory; there are no government restrictions on direct marketing activities. Advertisers, who often complain

(Continued on Page S-16)

European media usage

Per cent of companies using each advertising medium

Consumer	1986*	(1985)	Business-to-business	1986*	(1985)
Newspaper	69%	(70%)	Dir. mail: addressed	61%	(60%)
Magazine	53%	(54%)	Magazine	50%	(51%)
Dir. mail: addressed	45%	(45%)	Newspaper	40%	(40%)
Outdoor	38%	(40%)	Trade/directories	39%	(41%)
Trade/directories	34%	(34%)	Newspaper Supplements	20%	(20%)
Tv	29%	(29%)	Outdoor	13%	(14%)
Newspaper Supplements	28%	(28%)	Tv	8%	(8%)
Radio	24%	(24%)	Radio	5%	(4%)
Dir. mail: unaddressed	24%	(24%)	Dir. mail: unaddr.	6%	(7%)
Cinema	10%	(10%)	Cinema	2%	(2%)

*estimate
Source: Services Postaux Europeen survey that examined direct mail usage of 200 European companies and consumer receptivity to direct mail.

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(Continued from Page S-14)
about the high cost of traditional methods, are beginning to discover the advantages of this alternative marketing tool.

Department stores don't have large retail networks in rural areas where consumer income is on the rise and good tv coverage creates a ready market for sales. And the recent end to high inflation has, for the moment at least, spurred consumer spending and interest in catalog sales.

There are little reliable data on the state of direct marketing in Brazil. But the Brazilian Direct Marketing Assn., Sao Paulo, says that catalog and subscription sales came to $370 million in 1985, while sales from March to October, 1986, tripled compared with the same period in 1985.

Business-to-business direct marketing is one of the industry's fastest growing sectors. There's also much growth in direct reponse, says Silvio Lefevre, BDMA president. For example, 80% of all ads in *Exame*, a leading business magazine, carry a phone number or a coupon. "This is a new phenomenon," says Mr. Lefevre. "Lead generation has had fantastic growth in the last two years."

Direct marketing has grown despite some very large obstacles. A postal workers' strike at the end of 1986 dashed catalog marketers' hopes for what might have been their strongest Christmas selling season. Direct marketing executives had been expecting catalog and subscription sales totaling $500 million in 1986, but instead saw a sharp reduction because of the distribution glitch.

Creating a mailing list also is much harder in Brazil than in the U.S. "First to make a list, you have to convince a client to spend money on traditional media," says Karol Sapiro, future partner and director, BBDO/Sistema. For example, to to identify prospects for a local typewriter company, BBDO/Sistema placed a print ad that carried a coupon and offered professional secretaries an opportunity to win free foreign language instruction.

Where lists do exist, screening is often poor, leading to multiple mailings to the same individual, higher mailing and production costs and poor response.

In addition to the mechanical obstacles, inflation could return to haunt direct marketers. Rapidly increasing prices make catalog sales almost impossible, for example.

Direct marketing specialists say their biggest challenge is to educate agencies and clients. Milton Longobardi, general manager, Wunderman Marketing Direto, Sao Paulo, says his part of Y&R's agency presentation is different from the rest of the agency's managers. "I'm the only one who has to explain what it is we do," he says. "It's like trying to sell ballpoint pens in a market where you only have fountain pens."

Still, Wunderman has made a list of 40,000 electronics salesmen for its client, Sao Paulo-based Ford-Philco, and is working on a newsletter to help educate the electronic sales force about the company's products.

Another problem, says Mr. Longobardi, is the state of Brazilian technology. Because Brazil is trying to develop its own computer industry, which is government-regulated, agencies can't import state-of-the-art software or mail printing equipment. "These things put us in the Stone Age," he complains.

Telemarketing, also in its early stages, represents another example of poor understanding on the part of agencies and clients. Tv ads don't show phone numbers long enough for consumers to write them down. And sometimes, direct response advertising omits vital information.

A recent Xerox magazine ad titled "Direct Dial Xerox," for example, featured long-winded copy directing the reader to call the company's technical service office. It even described how each caller can be linked to the company's service database.

But there were no phone numbers listed, and Brazilian telephone directories are notoriously hard to use because legal, listed company names often differ from the names they're commonly known by. Also, telephone numbers change hands frequently.

Agencies rarely suggest that their clients use direct marketing, says Mr. Lefevre, whose consulting company, Lefevre

Addressed direct mail items per household

Country	1981	1982	1983	1984	1985
Belgium	87	96	114	125	132
Denmark	62	64	67	71	74*
Finland	86	87	95	111	119
France	72	77	79	86	93*
Ireland	10	12	12	13	18
Netherlands	102	103	103	135	171
Portugal	NA	24	16	16	17
Sweden	110	113	119	128	116
Switzerland	126	134	144	147	152
United Kingdom	49	52	52	60	62
West Germany	119	118	119	126	123*

*estimate
Source: Services Postaux Europeens

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Consultores Associados, often comes to their rescue. "They call me up and say, 'The client wants to do a direct mailing, can you help us?' "

Agencies often belittle what direct marketing can do for their clients, partly because they earn big fees for placing traditional tv, print and radio ads, he says. He adds that clients often have to insist on direct marketing to overcome agency reluctance.

Brazil is still a bit of an advertising paradise for agencies, which thrive on creating glitzy, prominent campaigns. But because marketers are beginning to discover direct mail, which is inherently less flashy than the country's tv campaigns, Mr. Lefevre says "The turning point is now. The big agencies have to offer all services, including direct marketing, or they can lose accounts."

—Julia Michaels

This month, the Australian Direct Marketing Assn. is putting its money where its mouth is.

"We've had a problem educating the consumer," says Terry Murphy, national director, ADMA, Sydney. "There are a lot of Australians who don't understand, or who distrust, direct marketing. So we've launched 'Operation Integrity,' a print and electronic media campaign aimed directly at consumers."

Financed by the larger association members as well as by Australia Post and Telecom, the national campaign, valued at $350,000 (U.S.), is backed up by an invitation to consumers to either write or phone a toll-free 008 number for an educational booklet on home shopping. The campaign also identifies a "Seal of Integrity," which any ADMA member can place on its advertising.

While direct marketing in Australia is growing steadily, it is being hampered by unsatisfactory list development. Lists are often duplicated, resulting in customers receiving the same mailings several times. Some companies find it more expedient and economical to blanket the market with existing lists, rather than bringing them up to more sophisticated standards.

Specialist companies in the field are tackling the problem, as is Australia Post, which actively promotes direct mail through bulk mail rates and publishes a "List of Lists" that catalogs available mailing lists.

Direct marketing's image also hasn't been helped by the mailing practices of some of the biggest companies in the field, including American Express International. These companies are having difficulty shaking off a "junk mail" reputation because they solicit prospects too frequently—in some cases every two weeks with the same mailing—highlighting Australia's lack of list sophistication.

"It's giving direct marketing a bad name," says Alan Smith, director, Merchant & Partners Direct, Sydney.

"I think American Express is going over the top," he says. "They're sending mailings, on average, to half a million names for every solicitation, which is a large figure for Australia. And because the files they're using aren't very good, they're getting a lot of name duplications. It's a big problem, but they obviously feel it's still a positive thing for them to do."

Another problem is the shortage of trained direct marketing personnel within agencies. "It has become a salary war," Mr. Smith says. "It's like musical chairs, with experienced people moving from job to job."

To overcome the paucity of direct marketing professionals, ADMA has put emphasis on training young people in the field. The association holds workshops and has instituted a direct marketing curriculum at a Sydney university.

"We are also cooperating with the Government's Consumer Affairs Dept.," says ADMA's Mr. Murphy. "They now refer all complaints from the public to ADMA before taking any action themselves, which gives us a chance to talk to the offending companies and see what the problem is. We started off investigating around 130 complaints a fortnight. In a year, that number has dropped to about 20."

The growth areas in Australian direct marketing, according to Lynne de Weaver, associate director with Christian Brann, a Sydney-based direct marketing agency, are financial institutions, insurance companies and business-to-business campaigns. "They're booming, are very profitable, and are going to grow much more in the next 18 months," she says.

Reflecting the state of the industry, ADMA is itself short on statistics, although Mr. Murphy says that empirical research from 1984 is being built upon.

"Simple surveys of our membership indicate that direct marketing's growth is about 25% a year," he says. "Direct mail is, by

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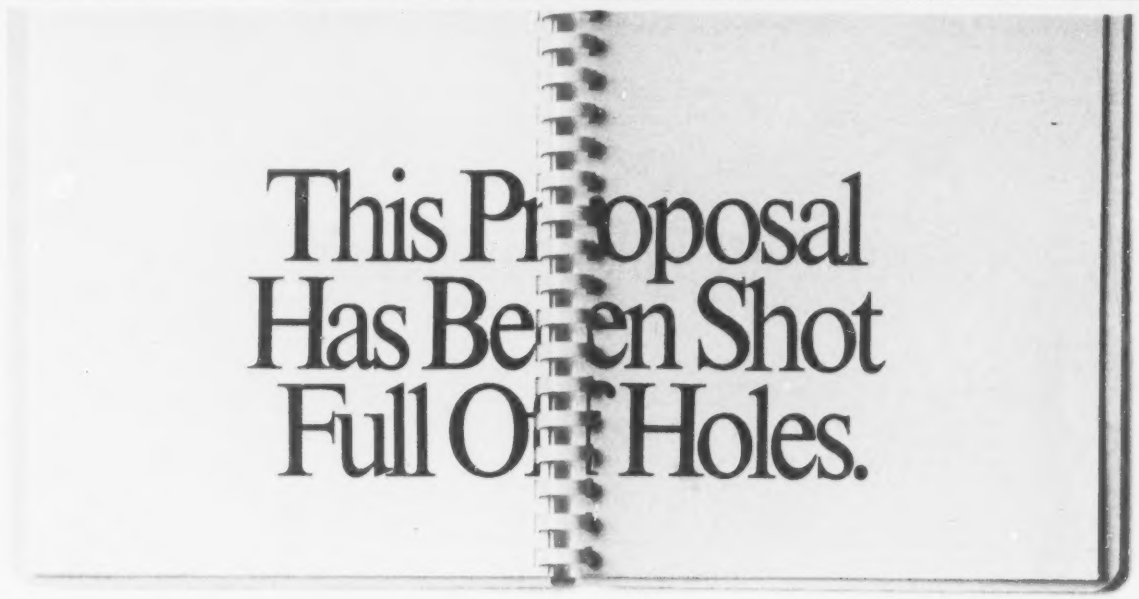

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(Continued from Page S-17)

far, the most-used medium, and consumer goods—books, clothing, records, do-it-yourself items, jewelry—the most advertised."

Direct marketing's 1986 expenditures, says Mr. Murphy, were around $230 million, generating about $1.65 billion in revenues. Of these totals, direct mail made up 38.4% of the expenditures, 53% of the year's revenues.

Most magazine and newspaper direct marketing in Australia, which accounted for 23.7% and 9.2% of expenditures respectively, is by coupon rather than an 008 number.

Television, with an 008 or direct number, is a relatively new direct marketing medium, amounting to 7.4% of 1986 expenditures. Radio makes up only 0.4% of expenditures.

NatWest Australia Bank's direct mailing to affluent consumers fetched a 40% response.

"From a tv ad, we can expect that between 65% to 70% of those who phone in will buy," says Don Fox, joint managing director, Total Media, Sydney. "Radio is a disaster. We can generate response, but we can't get people to buy. It's as though there are a lot of lonely hearts out there, people who want to phone in just to talk to other people."

Despite the problems, some companies are happy with direct marketing. "Direct marketing has added a 13th month to our marketing year," says Kitty Holloway, Sydney-based direct marketing manager for Australian Guarantee, one of the country's larger financial institutions. "We have a vast customer base, and have been selling more products to the same customers. In 1985, direct marketing represented around 10% of our total marketing budget. In 1986, it was more like 20% to 25%."

There are no major government restrictions on direct marketing, although the Federal Trade Practices Act prohibits false representation, bait advertising and inertia selling, the sending of and billing for unsolicited goods. There are also "grace" provisions enabling dissatisfied customers to return goods and get their money back.

Furthering its efforts to promote Australian direct marketing, the ADMA strongly advocates self-regulation among its members. "We are all conscious of the need to watch our behavior," says Mr. Smith.

The state of direct marketing in Australia is improving each year, but until it matures, the industry is expected to continue experiencing some growing pains.

—Geoffrey Lee Martin

Italy

While direct marketing in Italy is still relatively small-scale, the industry flowered last year.

Agency sources point to a surge in Italian mail order sales, and a sudden expansion of direct mail usage. And the National Direct Marketing Assn., Milan, says its November, 1986 convention attracted more than 3,000 participants, double last year's number.

For two years, Italian mail order sales, which amounted to $850 million in 1985, have outpaced department store sales in annual growth. Many mail-order businesses are getting ahead by concentrating on clothing.

"We are making clothing a top priority," says Italo Pratizzoli, general manager of Italy's largest mail order company, Postalmarket S.p.A., Milan.

Mr. Pratizzoli cites higher profit margins from clothing than from appliances and furniture, which had been the company's standbys. Apparel accounted for more than 65% of Postalmarket's sales in the first half of 1986, up more than 50% from 1979.

Postalmarket doubled its line of clothing by designer names such as Krizia, Biagiotti and Cerruti in its 1986-1987 winter catalog, and its rival, Vestro S.p.A., Milan, added designer Trussardi to its line. Vestro's chairman, Graziano Fiorelli, says, "The Italian passion for style makes fashion by mail a sector with good growth potential."

Direct mail, too, is taking new directions and attracting new players. "Up until last year, most direct sellers in Italy were subsidiaries of foreign publishers, such as the U.S. Book of the Month Club," says Ugo Castellano, president, Young & Rubicam Italia, Milan. "Now, others are discovering this method," adds Mr. Castellano.

Italo De Mars, general manager of direct marketing agency Wunderman Tender Direct, Milan, says that Barilla, a Parma-based food company which has the corner on Italy's pasta market, "has discovered direct mail as a means of increasing

Terry C. Gillette On Catalog Marketing

by Terry C. Gillette, President and Founder of The Company Store

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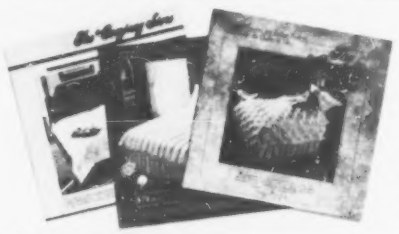

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client fidelity."

Mr. De Mars sees direct mail working well in Italy "for business-to-business. Most of our clients are in the industrial products or services sectors and they need to reach other businesses," he says.

He points to International Business Machines' Italian subsidiary, IBM Italia, Rome, using direct mail to sell accessories and software, and to Barilla, which sends a newsletter to some 2 million retail buyers offering their stores free trials of new products.

Although a very new medium on the Italian direct marketing scene, telemarketing is beginning to attract more companies, particularly for business-to-business efforts.

"In Italy, with so much of the population spread out among small towns and hard-to-reach villages, telemarketing becomes a very convenient means of reaching shopkeepers without using salesmen," explains Mr. De Mars.

Though long on the Italian scene, door-to-door marketing is also treading new paths. Mutual funds salesmen are showing up on the doorsteps of homes and offices.

"Mutual funds, a relatively new investment instrument in Italy, are often dismissed out of ignorance," comments a spokesman from Primegest, an Italian mutual fund.

"If we can get the time—perhaps over a cup of coffee—to explain what they are and how they work, we might win a client who we'd never have won through a lifetime of ads," he adds.

In a country where acquaintances are not made casually, door-to-door networks depend on established relationships such as family, friends and neighbors. The close relationships, aside from [illegible]ing persuasion power, helps some products gain consideration by consumers.

An executive from Tupperware Italia, Milan, says the "friends of friends" system is a success in Italy, where "pressuring" a mere stranger is frowned upon. Tupperware Italia has 3.5 million customers and reports 1986 sales revenues of $50.3 million, a 10% sales increase from 1985.

In general, industry observers say that last year's boom is nothing compared with what lies ahead. Mr. De Mars is convinced that toll-free numbers (*numeri verdi*)—available by the spring of 1987, according to the Italian Telephone company SIP—will cause rapid growth in direct marketing techniques and applications in Italy.

Despite recent inroads, however, Italy lags far behind the U.S. and some European countries in direct marketing. With still only 1% of Italian retail sales coming from direct marketing, not everyone is sure that it will ever account for a substantial part of the market or reach the heights of the U.S. business.

As Y&R's Mr. Castellano says, direct marketing in Italy "is a child, and we don't know if the child is going to grow up."

—Michelle McCarter

South Africa

Direct marketing in South Africa can aptly be termed the Cinderella of marketing. The industry still doesn't get the recognition it deserves, but by all accounts, is expected to blossom fully when recognition finally comes.

Many companies aren't yet tuned into direct methods of selling, and consumers aren't comfortable with them either. Nevertheless, direct marketers and agencies are projecting that growth will easily outpace that of general advertising within the next five years.

According to Barry Cowden, chairman of the 147-member Direct Marketing Assn., Johannesburg, the current, generally accepted figure for direct marketing expenditures in South Africa is around $75 million to $80 million, compared with $360 million to $383 milllion for conventional advertising. But if Mr. Cowden is correct, direct marketing eventually could account for about 40% of the nation's total

(Continued on Page S-20)

Marketers keen on direct mail

Proportion of European advertising budgets devoted to each medium

Medium	1984	1985	1986*
Tv and radio	25%	22%	21%
Newspaper and magazine	44	46	46
Direct mail: unaddressed	25	24	15
Direct mail: addressed	26	25	26
All other media	39	39	37

*estimated
Source: Services Postaux Europeens

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(Continued from Page S-19)
marketing expenditures.

"There is increasing awareness of direct marketing's viability," he says. "The market is growing, but only by around 15% to 20% per year. The potential is for much more than that."

So far, direct marketing's growth has been hampered by a lack of agency and consumer sophistication.

"Direct marketing is only really coming of age in South Africa," says Jock Falkson, chairman of leading direct mail agency Effective Letters, Johannesburg. "Agencies are suddenly finding they need direct response units, and they claim to have established them. But they are often unprofessional. Unless the client insists, the spending goes into traditional space buying—the area where agencies have expertise."

Brian Hopkins, managing director of FCB Response, Johannesburg, the country's largest and oldest full-line direct marketing agency, agrees. "Many agencies are only paying lip service to direct marketing. They wheel out the direct guys when the client visits, and then they wheel them back. Part of the trouble is that general advertising agencies find it difficult to move into the direct field. There is a big difference between the two areas."

Besides being "short on heavyweights," says Mr. Falkson, direct marketing is also stymied by certain technical problems. While there are no legal restrictions against the discipline, the postal service is unable to keep pace with marketers' needs. Not all areas in South Africa are served by door-to-door letter delivery, and nowhere in the country are parcels delivered to the door. Instead, they must be picked up at the post. In addition, says Mr. Falkson, South African general mail services are "not particularly cheap" for response mailers.

"We only have one class of mail here and that's first class," he says. There's no third-class service at reduced postage and, while discounts of 12.5% and 25% are offered, the latter requires the mailer to presort into postal codes. "If you make one mistake, you don't get the reduction. That makes spending the money on presorting a very high risk."

Kodak's S. African mailing for its 940 Instant Cameras moved 400 cameras in two months.

Telemarketers, too, are hampered by service inadequacy. Postal and telephone services are run by the South African Post Office, which does not offer toll-free dialing. "Telemarketing is in its infancy, and is growing very slowly because we suffer a lack of toll-free numbers," Mr. Cowden says. "When toll-free services are available, there will be a big expansion in direct response advertising on radio and tv. But the post's progress is painfully slow."

Catalog companies also are critical of the South African Post. Marco Von Embden, managing director, African Wholesalers, Cape Town, the country's largest and oldest catalog company, bemoans the lack of door-to-door mail delivery, which makes mail-order buying less convenient for customers.

Consumers, too, are to blame for direct marketing's slow start. South Africans, particularly whites, tend not to buy from catalogs, although a few, such as Barclays Bank's *Barclaycard Magazine*, are successful.

Mr. Von Embden explains: "Certain sectors of the South African population [whites] have been spoiled because transportation is so easy, so the convenience of catalogs is undermined." The vast majority of African Wholesalers' sales are to blacks and Asians, who traditionally buy more from catalogs because they have farther to commute to retail areas.

Blacks, in fact, will be largely responsible for direct marketings' future growth. They are becoming an increasingly important part of South Africa's buying public. At present, spending by blacks accounts for around 40% of total consumer spending; this is projected to run well over 50% by the early 1990s.

There are major difficulties in targeting them, however. Estimates suggest 40% of South Africa's multi-ethnic population is illiterate. Many blacks are "nameless and addressless" simply because apartheid has confined them to rural areas.

As yet, there's a lack of quality lists, says Mr. Falkson, but the situation is improving. "In the past three years we have acquired 75 customer lists," he explains. "In the previous 23 years, we had obtained only a few."

With recession and black-consumer boycotts against white-owned businesses hammering away at corporate profits, most feel that mailing lists will improve even faster. "If customers find it difficult or expensive to get to conventional stores, then the merchandise has to be brought into their homes by catalog," says one leading retailer. This will encourage fast development and availability of lists.

Despite these roadblocks, some users of direct marketing are highly successful. *Reader's Digest* is one, as is the Edgars Ltd. retail group, a Johannesburg-based national chain of upscale clothing and accessory stores. According to one industry observer, Edgars "knows that each mailing will mean up to $900,000 in additional sales."

Marketing director Carol Grolman will not divulge Edgars' response rate, nor the sales conversion rate. "Let's just say it's very significant, otherwise we wouldn't continue doing it," she says.

Ms. Grolman says that in an average year, Edgars dispatches "240 mailings, which is about 150 million pieces—in English and Afrikaans. Most of our mailings are to existing customers [charge card holders], though we do sometimes mail to outside lists." However, with a customer mailing list rumored to include about 80% of all white households in South Africa, Edgars' use of outside lists would be minimal.

The growth areas in South Africa's direct marketing are financial services and business-to-

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business marketing. Financial service, says Mr. Hopkins, "is by far the biggest growth area" with increasing sophistication in computer manipulation of mailing lists. Banks and financial institutions are beginning to use their existing databases more efficiently to cross-sell, and are making their lists available to other users.

In the business-to-business sector, selling costs are increasing at a faster rate than prices.

"We are seeing far more use of direct marketing in this area purely because of the narrowing [profit] margins available to marketers," Mr. Hopkins says.

—Des Kilalea

Belgium

After years of predicting a takeoff for direct marketing in Belgium, industry executives agree that 1986 was the year it finally happened.

"This is the year that the big advertisers started walking into [direct marketing] agencies asking, 'What can you do for me?'" says Irene Allanson, managing director, Ogilvy & Mather Direct, Brussels. "I've been in it since 1979, and I really feel a boom after what you might call six years in the desert," she says.

A mail shot inviting prospects to a dinner brought a Belgian home for the disabled $14,500.

Among companies in Belgium now listening to direct marketing pitches, after years of saying they weren't interested, are Master Foods, Procter & Gamble and Unilever, sources say. Traditional users like banks, magazines, computer, publishing and credit card companies also are increasing their direct marketing budgets.

If this isn't evidence enough of direct marketing's growth in Belgium, there is also a boom in the creation of direct marketing subsidiaries by major agencies. Just about every big agency that didn't have a Belgian subsidiary in January, 1986, has one now. McCann-Erickson, one of the last holdouts, is currently planning its direct marketing shop.

Attendance at The Montreux Symposium and Exhibition, the yearly European direct marketing conference in Montreux, Switzerland, also indicates Belgian interest in direct marketing is on the rise. Last year there were 30 participants from Belgium; this year 80 attended. Seminars on anything related to direct response advertising generally are overbooked shortly after they're announced. In November more than 80 people paid $650 each for a one-day conference organized by the year-old Flemish Direct Marketing Union.

If growth is the keynote of direct marketing in Belgium, the magic word here—as elsewhere—is database. The computerized refinement of mailing and telephone lists to provide more finely targeted audiences is the discipline's fastest growing area.

While the industry is short on statistics, the Groupement de la Vente par Correspondance, Brussels, the country's direct mail association, estimates that direct response accounted for 0.8%, or $48 million, of the country's $6 billion 1985 retail sales. This year, according to Guy Olivier, GVC secretary general, the figure might reach 1%.

Erik Van Vooren, president, Flemish Direct Marketing Union, Kalmthout, says that industry estimates put the direct marketing sector of Belgium's total marketing expenditures at 17% to 20%, but he thinks this is an understatement. He says he thinks a better comparison is neighboring Holland, where direct marketing has gone from 30% of marketing expenditures in 1985 to about 39% in 1986.

Direct marketing, with its database-assisted approach, would appear to be a natural for Belgium, whose small but affluent population is divided nearly in half by the Flemish-French language barrier.

Direct mail and coupon advertising (there is no commercial tv in Belgium) are still probably the major sectors of direct marketing. But telemarketing, despite a lack of toll-free dialing, is coming up fast. Guido Thys, head of Direct Contact Telemarketing, Antwerp, says his young company has been swamped with inquiries for training and surveys on the medium's effectiveness.

(Continued on Page S-22)

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(Continued from Page S-21)

Herman Van Hove, managing director of Antwerp-based Biblo, a newsletter publisher, has noticed that coupon ads are being priced out of the market. With publications that are highly specialized by language and subject, most of a potential audience is reached after two or three insertions, leading to high costs-per-thousand.

There are no laws in Belgium governing telemarketing or direct mail. The government recently withdrew a proposal for an extremely strict control of databases that would have required those on mailing lists be informed as to how their names would be used. But some sort of right-of-privacy regulation appears imminent. The direct marketing industry hopes to head off rigorous controls by lobbying and self-regulation.

Meanwhile, optimism prevails. "Things are looking better and better," says Mr. Van Vooren, who is also director of BBDO/Direct, Brussels. "It's the nature of direct marketing that the more often something like a mailing list is used, the better it becomes."

—Paul Montgomery

Japan

Retail sales in Japan may be nearly static, but direct marketing is on the rise.

The Japan Direct Marketing Assn. says the industry is growing about 10% a year; it projects similar growth to 1990. Japanese consumers are particularly receptive to direct mail. A 1984 Fair Trade Commission survey found that 58% of all women interviewed had purchased products via direct mail during the previous 10 months.

Japan's fiscal 1985 (ending March 31, 1986) direct marketing sales of $4.75 billion made up only 1% of the country's total retail volume, compared with 17% in the U.S. JADMA projects that figure will rise to 3% by 2000.

Some industry professionals, however, expect a slightly higher increase. "We foresee direct marketing growing to about 3.5% of retail by 1999," says Thomas Ainlay Jr., manager, McCann Direct, an independent direct marketing department of McCann-Erickson Hakuhodo, Tokyo. "There will be a couple of boom years after the Ministry of Posts and Telecommunications lowers postal rates for commercial mailings," which some observers expect will happen within the next three years.

Postal rates are the major issue with Japan's direct marketers. Because Japan still has no bulk mailing system, direct mail goes first class. Third class, designed for magazines, can be used for catalogs provided they have 50% magazine-style editorial copy and publish monthly, forcing catalogers that don't fall within this category to use private delivery companies.

"A piece must work three to five times better here than in the U.S., simply due to postal costs," says Michael Golding, president, Franklin Mint Ltd, Tokyo, a wholly-owned subsidiary of The Franklin Mint, Franklin Center, Pa.

A Tokai-district food-of-the-month club publishes its offerings in a mail order catalog.

The underutilized Japanese Post is expected to lose $270

Japan's top 10 direct marketers

Company	1985 sales (in millions)	Operations
1. Fuji Sankei Living Service	$355	Catalogs, tv shopping, sales fairs
2. Senshukai Co.	271	Catalogs (apparel, hobby/home goods)
3. Cecil Co.	228*	Catalogs (lingerie)
4. Mutou Co.	199	Catalogs, sales fairs
5. Takashimaya	194	Department store
6. Niko Tsuhan Co.	166*	Mail order (health, beauty, liesure)
7. Nissen Co.	157*	Catalogs (women's wear, home goods)
8. High Sense Co.	125*	Catalogs (women's goods)
9. Nihon Bunka Centre	113	Tv shopping, catalogs, print
10. CBS Sony Family Club	112	Mail order (records, tapes, imports)

*1984 figures
Source: McCann Direct/Nihon Keizai Shimbun

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million for fiscal 1986, according to the MPT's Postal Business Bureau. Only 137 pieces of mail per capita were sent in Japan in 1985, compared with 560 per capita in the U.S. Boosting postal revenues through increased utilization is a logical alternative to hiking rates, and Mr. Golding, who is also a director of JADMA, is the key mover in this arena.

"We're trying to get the MPT to understand bulk mail rates," he says, "and to persuade them that by introducing a new mail tier for [marketing] materials, they will open a new revenue source."

Franklin Mint Ltd., which sells consumer goods such as jewelry, porcelain and books, opened its Japanese doors in 1972 and was one of the country's direct marketing pioneers. The Japanese subsidiary's annual sales are approximately $35 million, and its direct mail and other media expenditures come to some $11 million a year, according to Mr. Golding, who is also corporate vice president responsible for all of Franklin Mint's Pacific locations.

Joint direct marketing ventures between U.S. and Japanese agencies started in 1985, when Dentsu Wunderman Direct and Dai Ichi Kikaku/Rapp & Collins opened shop in Tokyo. More recently, the in-house units of McCann-Erickson Hakuhodo and J. Walter Thompson Japan have started direct marketing operations, and Tokyo-based Grey-Daiko Advertising is studying a similar move. Total billings of these four shops are small, roughly less than $12.5 million. DIK/R&C estimates total direct marketing expenditures at 35% of sales. The agencies' major competitors are the in-house operations of major clients.

"The industry is in its infancy," says Richard Capponi, vp, DWD. "When we arrived, it was like the U.S. in the '50s. Now, it's the early '60s."

Also handicapping direct marketing are restrictions on sweepstake premiums stating that the value of the premium must be no more than 10% of the item's retail cost, with a ceiling of $312.

Lists in Japan also are a problem. Says Isao Nakazawa, exec vp, DIK/R&C, "About 100 million names are on lists, but very few are available for rental or swapping, and many are manual."

Many companies consider lists proprietary and strictly for their own use; those interested in similar lists would often be direct competitors. Also, the language makes computerizing lists difficult. People usually write their names using Chinese ideograms, or *kanji*. Lists, on the other hand, are generally recorded using one of two native Japanese phonetic syllabaries, or *kana*. Because Japanese is rich in homonyms, converting *kanji* to *kana* is highly error-prone, and the technology for doing so is new. McCann Direct's Mr. Ainlay estimates that only 40% to 50% of lists are computerized.

"It's dismal," says Mr. Capponi. "We've uncovered maybe 200 lists we'd be comfortable recommending to clients. In America there are 50,000."

To combat the list shortage, many direct marketers develop their own through advertising. "At DWD," says Mr. Capponi, "we rely more heavily on print media than we would in the U.S. We do a lot of two-steps where we place a print ad requesting people to ask for information. Then we mail."

Japan does have toll-free dialing, but no discount is given to direct marketers on inbound calls. "We've had clients find that even the increased response from a toll-free number isn't enough to pay for the service, so they've stopped using it," says Mr. Capponi.

Inbound telemarketing without toll-free dialing is widely used. Outbound, however, is considered highly offensive once it steps outside the realm of customer service.

Most agree that Japan's most powerful marketing medium is the newspaper. "Very expensive and worth it," says Mr. Capponi. But when a good list is available, says Mr. Nakazawa, "direct mail is the most cost effective, followed by magazines, tv and newspapers."

Unfortunately, direct marketing's reputation is sometimes stymied when problems crop up with direct selling, as was the case with fraudulent sales of land and gold. Direct selling in Japan is an enormous business and is largely unregulated. Med-

(Continued on Page S-24)

What do European consumers think of direct mail?

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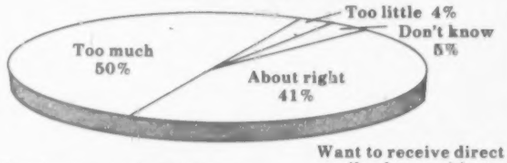

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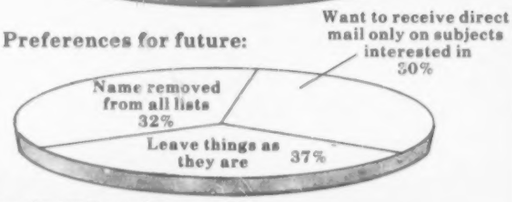
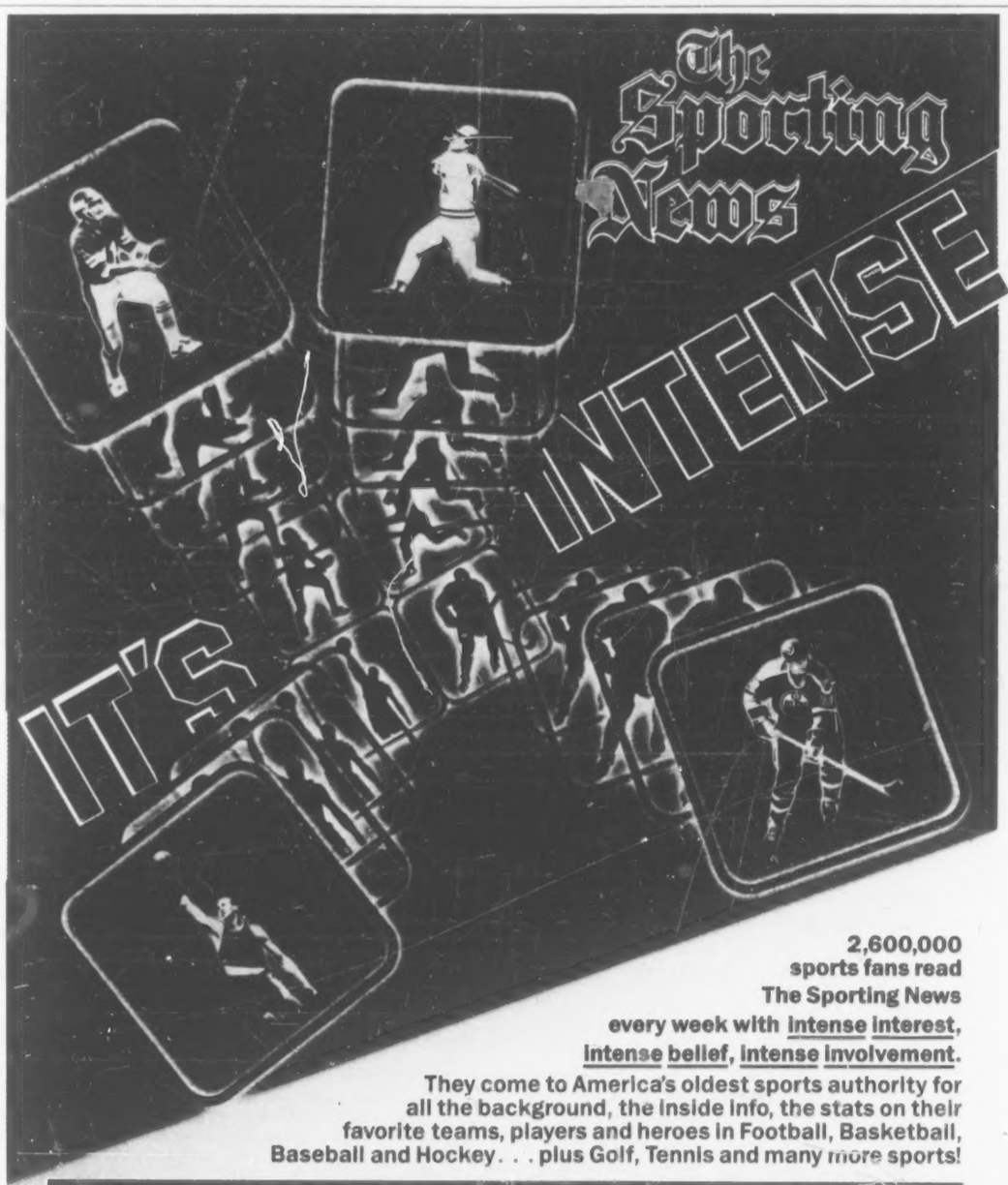


Source: Services Postaux Europeens survey



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(Continued from Page S-23)

icines, newspapers, bamboo poles, securities, banking services and automobiles are all sold door to door. In 1984, direct selling accounted for an estimated 80% of all domestic Toyota sales, according to sources. And the sales force of Dai Ichi Kangyo, Japan's largest bank, typically call on 100 Tokyo homes a day soliciting deposits.

For the future, privacy is a growing issue that will affect list use. A mail preference system that gives consumers the option to have their names deleted from lists when they are made available to third parties is being discussed, and some in the industry, like Franklin Mint's Mr. Golding, advocate more regulation—provided it be done by the industry itself.)

—David Kilburn

France

By some accounts, directing marketing in France may have been slow to develop, but some of its greatest proponents maintain that the market is making up for lost time.

Direct marketing currently represents about 25% of France's $7.5 billion marketing expenditures, and is said to be growing at the rate of 25% per year, according to Denis Bonnet, director of France's largest direct marketing agency, Ogilvy Defrenois Direct, Paris.

Direct marketers are quick to catch on to changes in laws regulating the industry, and such changes are coming along faster than before. Cortal, for example, a three-year-old financial service institution that relies entirely on direct marketing to sell its services, recently ran a two-minute tv spot using a toll-free number, which was permitted on tv for the first time in France with the advent of private, commercial tv in February, 1986. Account manager Jean Michel Braun says the response rate was confidential, but "satisfactory."

His is one of many companies now using using the toll-free "green number," the French equivalent of the 800 number, which was instituted at the beginning of 1984. Currently, there are 6,000 subscribers to the green number, up about 30% from last year, according to a spokesman for Opus-Hintzy, the Paris-based institutional advertising agency that launched the number. While high subscription costs continue to keep toll-free numbers primarily in the business-to-business sector, most observers predict the green numbers will move into the realm of consumer marketing, now that they have been allowed a broader reach via tv.

A leading indicator of the French market's sophistication is the unparalled success of the Minitel videotext, which was a failure in many other countries, notably the U.S. and the U.K. Minitel currently has two million units in operation and will add an estimated 1.5 million to 2 million more per year. In five years, that means 10 million units for France's 21 million households, according to Mr. Bonnet.

Thierry Dequeroy, who markets Minitel throughout the country for the government-owned telecommunications system PTT, says the system gives consumers access to 2,500 list-

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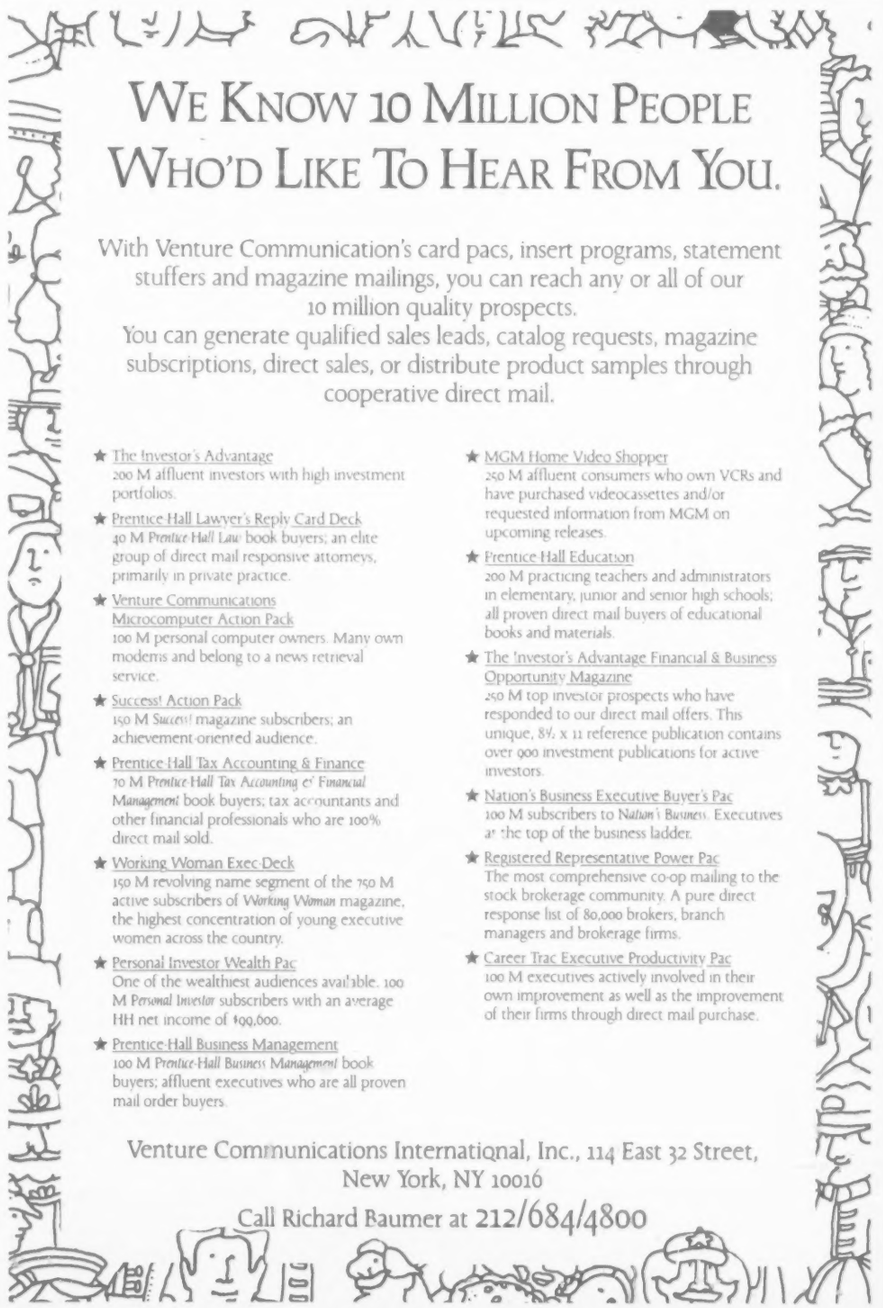

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ings by tapping in a four-digit number. Those listings vary from telephone directory assistance, transit information and electronic banking to more imaginative uses. On Paris' Left Bank, for example, a four-digit number calls up the daily menu of a local take-out restaurant, allowing consumers to place an order and have it delivered. Minitel purchases can be charged on Carte Bleue, the French Visa card that can even be used to buy subway tickets.

Mail order houses, specialized retailers, wholesalers and hypermarketers—French high-volume discounters—use Minitel to take orders for merchandise 24 hours a day. According to Mr. Bonnet, La Redoute, one of France's most successful catalog merchants, takes 100,000 orders daily, 45% of them by mail, 52% by phone and 3% by Minitel. Despite its convenience, experts predict that merchandise sales by videotext will never exceed 10% of a retailer's total sales.

Mail order sales account for only 2.5% of all retail sales, a figure equal in market share to department store sales in France, which is traditionally a nation of specialty shops, says Jean-Marc Gely, marketing director, Au Printemps, the major Paris-based department store chain. Neither department stores Au Printemps nor Galleries Lafayette does mail, phone or catalog sales, although both use their credit card lists for purposes other than selling direct.

Mr. Gely says that may change. He notes that department store retail sales dropped in the fall of 1986, following a string of fatal terrorist bombings in Paris, some of them in retail stores, while mail order sales were up by some 25%.

"It's a new phenomenon, but there's certainly a link between our bottom line figures and the success of mail order," Mr. Gely says. "Mail order houses are also trading up and getting more competitive with us."

Catalogs La Redoute and Trois Suisses recently underwent massive tradeups and began selling more expensive merchandise, illustrating the trend towards higher caliber products targeted to a more affluent audience.

According to Bernard Siouffi, Paris-based director of the French direct marketing and mail order associations, books and other published materials make up 24% of all mail order, but the remainder is shifting up, with an emphasis on catalogs skewed to affluent males.

"Major mail order houses and small vendors are looking for high income males, and there seems to be a growing market for things like executive gifts," he says.

In addition to allowing toll-free numbers on tv, other regulatory changes in France allow direct marketers to refer to previous purchases when approaching a customer by direct mail and use third class rates when previously only first class was permitted. Mr. Siouffi says his association is working with the PTT on commercializing and personalizing the telephone list, which direct marketers have had access to only since February, 1985.

"Lists have been one of the biggest blocks to direct marketing in France to date," says Mr. Siouffi. "The big brokers are not well-organized, and in order to develop databases, we need better suppliers, more trained personnel and more up-to-date general files." He adds that direct marketers have no access to French census information, auto registration rolls, electric and gas utility customers' names or the social security rolls.

Ogilvy Defrenois' Mr. Bonnet explains that France's first direct marketing agency was founded in 1970, so the discipline is by no means new. He says it has seen better than average growth and only one major obstacle blocks its future: The fact that many traditional marketers don't understand it.

Mr. Bonnett adds that direct marketing's success stories could be the industry's best advertising, but they aren't often talked about. Both clients and agencies are discreet about their results.

—Claire Wilson

Switzerland

Direct marketing in Switzerland accounted for approximately one-third of the country's total marketing expenditures in 1985, according to a survey by the Swiss Post Office.

The survey also revealed that direct marketing sales have grown 25% from 1979 to 1985, and that 55% of all book sales and 45% of all package tours were achieved via direct marketing in 1985.

But this, say industry professionals, is only the tip of the iceberg. "Given the difficulties of working in three languages—German, French and Italian—and the limitations placed on how much time is available for tv commercials, I would say that direct marketing is the key to marketing success in this country," says Brian Wright, managing director, CCC/Grey, Geneva, an arm of Grey Advertising. A maximum of 24 minutes of daily commercial time is permitted on any one Swiss tv channel.

To reach a mass audience in Switzerland, marketers must create campaigns in three languages, adding significantly to

(Continued on Page S-26)

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(Continued from Page S-25)

production costs. Direct marketing, particularly direct mail, is often an attractive option because of its relative cost efficiency, says Mr. Wright. He adds that Grey Advertising recently opened a direct marketing subsidiary, Grey Direct, in Geneva to handle the agency's growing business.

The industry, however, particularly the direct mail sector, isn't without its problems. The direct mail response rate has declined considerably, falling to 1% last year from 7% to 10% a decade ago, says Peter Linsin, managing director, Data Direct Marketing, Zurich, a subsidiary of the international GGK group. He attributes the decline to the sheer volume of direct mail in Switzerland's mailboxes, most of it unsolicited and untargeted.

"Switzerland is a small country and we've got to adapt our direct marketing techniques to that fact," he says. "In the States, or in a big European country like France or Germany, you can send out mass mailings of several million pieces and still get an acceptable return. But given Switzerland's size and linguistic divisions, it's not enough to send out scattershot mailings and hope somebody tunes in."

Recent research conducted by the Swiss Post Office reveals that every household receives roughly 3.3 personally addressed and 8.2 "occupant" addressed or hand-delivered pieces of mail each week, a high volume by European standards.

Some in the industry question whether that level of saturation might be counterproductive. To fend off criticism, the Swiss Direct Marketing Assn. has established a "Robinson List," currently consisting of some 10,000 names of individuals who have requested they be taken off lists for personally-addressed, unsolicited direct mail.

The list is circulated to SDMA members, who are obliged to remove the names from their lists. However, as Ursula Spliess, coordinator of The Montreux Symposium and Exhibition (Europe's annual direct marketing conference) points out, the Robinson list cannot control "occupant" addressed, unsolicited mailings, the mailings of companies based in other countries, or those that aren't SDMA members. "It's a beginning, but that's all," she says.

Consumers also may obtain labels from the Post that read: "Mailman: Please do not put any unsolicited publicity in this mailbox." Government mail carriers oblige, but at least 50% of Switzerland's unsolicited direct mail is delivered by private carriers who don't honor the request.

Unit costs for standard direct mailings average 80 cents, according to Mr. Linsin, despite preferential rates from the Post, which derives considerable revenue from the industry. The Swiss Post Office offers reduced rates for mail weighing less than 50 grams.

There are no legal restrictions against direct marketing in Switzerland. The SDMA stresses a code of conduct for its 10,000 members, but it is nonbinding.

Even telephone marketing is unregulated, although regulation is expected in due time, according to Michael Sutherland, president, Geneva-based Mardev, a leading list broker. Under the current system, for example, nothing prevents direct marketers from calling prospective clients at midnight.

In practice, this doesn't happen. But Mr. Sutherland says if telemarketing progresses beyond its current stage—it's largely confined to subscription solicitations—the public will call for some form of official control. Consumer protection groups, particularly in the French-speaking, western part of the country, already have begun agitating against "cold calls."

Still, direct marketing is popular with many businesses. Fortuna, a Zurich-based insurance company, promotes itself solely through direct response print and tv ads. Its switchboard stays open until 9 p.m., a relatively late hour, to field calls generated by prime time tv commercials.

Certain banks find it useful as well. Bank Aufina, a subsidiary of the powerful Union Bank of Switzerland, is using direct marketing extensively to attract new customers. Banque Rohner, however, a mid-sized bank headquartered in St. Gallen, used to blanket Switzerland with mail shots offering its loan facilities at least twice a year, but has since stopped, according to industry sources, after deciding the return was insufficient.

Radio advertising in Switzerland is still unsophisticated. The state-run network doesn't permit advertising, and commercial stations were licensed only three years ago. There are now some 30 of these, all but one of which carry commercials. The day of the direct response radio commercial is coming, however, according to Roger Schawinski, owner of Zurich station "Radio 24" and a pioneer in the commercial radio field.

"The statistics show that direct mail takes 85% of all direct marketing budgets," he says. "Tv picks up about 7%—a very small sum because of the limits on the amount of commercial time available." He adds that other media, like local radio, are hoping to soon capture some of the [remaining 8%.] "This will happen as people become accustomed to buying through radio commercials."

—John Parry

1986 Swiss media usage
Percentage of companies using each medium*

Medium	Cons.	Bus.
Tv	34%	8%
Radio	38	8
Newspaper	84	49
Magazine	62	82
News/magazine supplements	24	22
Dir. mail: unaddressed	32	10
Dir. mail addressed	64	88
Outdoor	36	16
Cinema	28	4
Trade directories	32	47
In-store promos	72	45

*estimates
Source: Services Postaux Europeens survey

Associate editor Denise Frenner coordinated this report on Direct Marketing.

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Ad pages in farm publications for 12 months, 1986-85

Fourth-quarter and year-to-date figures for U.S. and Canadian publications reporting to Advertising Age

	Pages			
	Oct Jan 1986	Oct Jan 1985	Jan Dec 1986	Jan Dec 1985
— Canadian —				
Country Guide	—	—	—	—
Eastern Edition	85.2	95.8	440.5	477.4
National Edition	118.1	137.9	706.5	879.2
Western Edition	86.7	104.8	506.2	601.7
Le Bulletin des Agriculteurs	—	—	—	—
Total Group	**290.0**	**338.5**	**1,653.2**	**1,958.3**
% change		**-14.3%**		**-15.6%**
— Dairy & livestock —				
Beef Extra	25.1	38.4	101.9	101.9
Beef Magazine A	83.2	142.7	459.7	672.9
Beefweek	127.8	162.9	519.1	650.4
The Cattleman	216.4	275.4	992.8	1,229.0
Dairy	—	—	—	—
Dairy Extra	36.6	34.4	176.7	101.9
Dairy Herd Management	35.1	39.0	152.2	236.7
Drovers Journal (52X) A	163.7	217.7	727.1	940.3
Feedlot Management	31.7	64.4	130.6	227.2
Florida Cattleman	—	—	—	—
Hoards Dairyman (23X) A	104.3	139.4	523.4	674.7
Hog Extra	51.4	35.0	162.8	94.6
Hog Farm Management	40.6	31.8	136.6	145.7
National Hog Farmer	169.9	203.8	642.2	648.4
Pork '86	127.4	109.9	447.2	398.9
The Hog Producer	20.9	11.4	89.4	58.7
S. Beef	71.8	53.3	152.5	154.1
Southern Beef Producer (8X)	42.6	38.7	195.1	192.8
Total Group	**1,348.4**	**1,598.2**	**5,609.2**	**6,525.2**
% change		**-15.6%**		**-14.0%**
— Fruit & vegetable —				
American Fruit Grower	88.3	80.0	465.6	489.7
American Vegetable Grower	130.2	140.6	592.3	616.7
Citrus & Vegetable	132.3	136.1	570.8	578.5
The Grower	65.3	42.1	255.9	274.8
Total Group	**416.1**	**398.8**	**1,884.6**	**1,959.7**
% change		**+4.3%**		**-3.8%**
— General farm publications —				
American Agriculturalist	44.4	59.4	232.3	284.6
California Farmer (21X) A	—	—	—	—
Colorado Rancher & Farmer	44.9	49.0	288.6	299.1
Farm Futures	—	—	—	—
Farm Industry News (10X)	—	—	—	—
Farm Journal Inc:				
Farm Journal (14X)	103.2	111.5	535.2	605.0
Top Producer	32.3	41.7	161.4	169.7
Farmer-Stockman Unit:				
Oklahoma Farmer-Stockman (12X)	36.4	12.9	181.1	154.5
Texas Farmer-Stockman(12X)	34.8	12.5	169.0	125.7
Florida Grower & Rancher	72.5	62.5	317.1	291.3
Harvest Publishing Unit:				
Kansas Farmer (16X)	59.0	64.2	432.6	492.5
Michigan Farmer (16X)	64.2	92.2	426.9	560.5
Missouri Ruralist (16X)	61.0	89.5	476.0	589.5
Ohio Farmer (16X)	72.8	118.7	515.3	724.9
Pennsylvania Farmer (16X)	46.4	78.7	354.0	472.6
High Plains Journal:				
Eastern Kansas (52X)	378.5	413.5	1,776.2	2,000.7
Colorado	385.9	416.1	1,812.5	1,971.3
Nebraska	362.7	400.0	1,719.6	1,918.0
Oklahoma-Texas	392.6	425.5	1,795.2	2,029.7
Western Kansas	437.3	473.3	1,983.2	2,188.5
Irrigation Age (10X) A	29.1	51.8	149.4	654.2
Kentucky Farmer	37.3	42.7	241.7	261.7
Lancaster Farming (52X)	1,555.5	1,244.1	6,684.2	5,622.0
Midwest Unit:				
The Farmer (24X)	118.3	132.0	730.6	869.6
Nebraska Farmer (24X)	147.5	175.7	909.4	1,099.2
Prairie Farmer (24X) A Indiana Edition (24X)	129.0	166.5	801.5	1,061.4
	124.4	164.8	767.8	1,043.1
Wallaces Farmer (24X) A	101.6	129.8	646.8	874.9
Wisconsin Agriculturalist (24X)	85.8	109.3	491.8	621.3
Pecan South (6X)	6.2	14.5	70.7	79.0
Progressive Farmer A	—	—	—	—
Specialized Agricultural Publications:				
Coastal Plains Farmer	6.4	10.5	92.8	90.8
Flue Cured Tobacco Farmer	12.2	12.4	88.9	88.5
Peanut Farmer (8X)	—	—	94.6	85.9
Successful Farming A	102.8	139.5	547.7	622.7
Tennessee Farmer	20.3	20.2	131.8	142.0
Western Unit Farm Magazines:				
Colorado Rancher & Farmer(14X)	—	—	—	—
Western Farmer-Stockman Magazines:				
Ariz. Farmer-Stockman(12X)	40.5	55.6	212.1	243.9
Idaho Farmer-Stockman(20X)	61.1	73.2	418.5	460.9
Mont Farmer-Stockman(20X)	88.6	119.5	572.9	727.1
Ore. Farmer-Stockman(20X)	50.5	61.7	324.2	378.8
Utah Farmer-Stockman(20X)	49.5	51.0	262.2	344.6
Wash. Farmer-Stockman(20X)	49.2	64.3	341.3	401.0
Total Group	**5,444.7**	**5,760.2**	**27,757.1**	**30,650.7**
% change		**-5.5%**		**-9.4%**
— Poultry —				
Broiler Industry	149.7	157.8	571.6	572.0
Poultry Digest	81.7	59.7	253.7	211.1
Poultry Tribune	46.3	46.9	217.0	207.1
Poultry & Egg News	—	—	—	—
Poultry Times	—	—	—	—
Northeast/Midwest	—	—	—	—
Pacific Edition	—	—	—	—
Southeast Edition	—	—	—	—
Southwest Edition	—	—	—	—
Poultry & Egg Marketing	—	—	—	—
Total Group	**277.7**	**264.4**	**1,042.3**	**990.2**
% change		**+5.0%**		**+5.3%**

(X) Represents the number of times published each year; publications are monthly unless otherwise specified. A. Sectional linage included but prorated to circulation of regional editions.

All figures represented in this chart are supplied by the magazines. Advertising Age makes no attempt to verify them and, therefore, is not responsible for inconsistencies or errors.

worries that the campaign would be compromised were eased when Ms. Colliver moved to Chevrolet from GM's AC Delco division, where she had steered development of the brand strategy campaign using spokesman Chuck Yeager.

"It required somebody like Danielle who could come in from outside and say, 'Yes, that's Chevrolet,' " Mr. Fitzpatrick said.

"I came in with a deep belief that Chevrolet needed a focused campaign, a singular identity," Ms. Colliver said.

C-E went through about 100 different songs before settling on the one being used. Lyrics were developed by a group of C-E creatives that included Mr. Fitzpatrick, Mr. Plansker, Mr. Burton, Kathy Speck, Denise Sidlow, Bill Ludwig, Patrick O'Leary and Larry Rau.

The music was developed and produced by Crushing Enterprises, New York. Crushing's president, Joey Levine, headed Crushing's efforts, with Thai Jason working as production manager. The music was written by Robin Batteau, who also sings the male lead in most of the spots and who did the arrangements with Jeff Southworth and Kenny White.

Billy Alessi synthesized the heartbeat sounds, and Rachelle Capelli sang the female solo on the generic "Heartbeat" tv and radio spots.

C-E's Ms. Sidlow worked directly with Crushing in producing the variations of the original spot being used in follow-up commercials.

Mr. Fitzpatrick landed directors who usually rejected car commercials "because it always ends up that the client wants a seven-eighths front view. They brought strong personalities to the work, and sometimes we had horrifying fights."

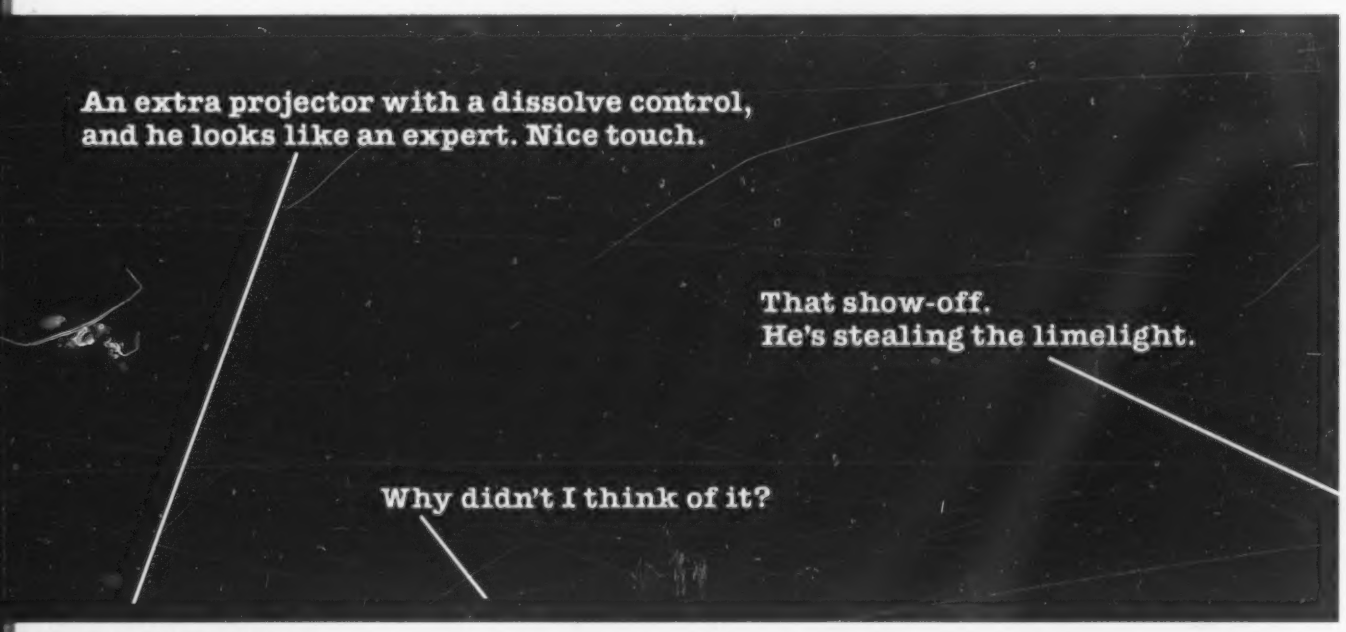
Directors were Bruce Dowad (three theme spots), Peter Smillie (Celebrity, Camaro, Cavalier and Corvette spots) and Peter Heath with N. Lee Lacy (Nova, Spectrum and Sprint spots).

The campaign notably includes women in an unpatronizing way. Chevy's stated marketing goal is to attract more first-time buyers and more women, who already make up 45% of the principal buyers of Chevrolet products.

Kudos are coming from all directions. Consumers want to know where they can buy the music, and a record release may be part of the merchandising plans under development.

The creative director at a competing car agency called to say he was embarrassed because his own kids were singing the "Heartbeat" theme.

"The campaign has captured the imagination of a great number of people," Mr. Fitzpatrick said, "and that's the first objective."#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